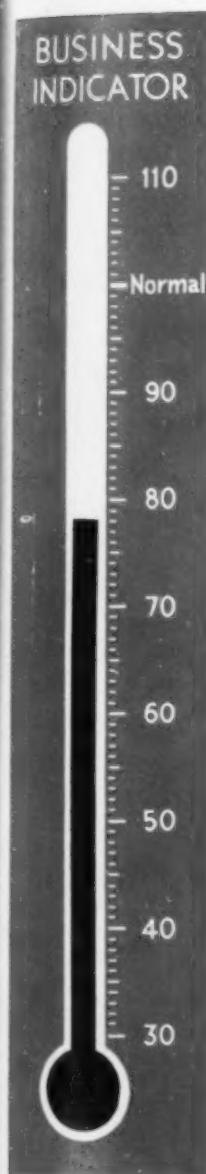


MAR 9

MARCH 4, 1931

# THE BUSINESS WEEK



Telescopes trained on foreign affairs yield more for the optimist this week than do economic microscopes examining domestic movements. Fumbling gestures toward closer European cooperation, in politics, in agricultural problems, in finance, and a slight upturn in British prices may be significant straws. . . . Abandonment of our embargo efforts may be counted among these constructive international indications. . . . At home there is still no decisive evidence of business change. . . . Our index is practically stationary at 78.2% of normal, about the average level of the past two months. . . . Steel activity shows no sign of marked increase in demand from the big consuming industries, and spring automobile sales prospects are still uncertain. . . . Strengthening of raw cotton prices, textile demand, and residential building projects has begun to stir some enthusiasm, but spring fever is probably a sufficient explanation of the rise in stock market prices and f— activity, perfectly paralleling last year's. . . . Expansion of bank investments is somewhat encouraging, but as yet indecisive of any definite change in credit policy. Liquidation of commercial loans and contraction of Reserve credit continue. . . . After all, the most cheering business news of the week will be the rush order of caskets for the 71st Congress.

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# MCCASKEY



# What's In This Issue —And Why

## A Platform for American Business

RECONSTRUCTION of prosperity and its maintenance will call for the best thought and effort of business men and financiers. We offer certain fundamentals of policy and concrete suggestions of practice that we and many eminent men who have helped formulate them believe to be essential.

(See Supplement with this issue, and editorial, page 52)

## Holding Companies

CONGRESS should not rush into regulating rail holding companies; instead should make a comprehensive study of all holding companies—gas, power, banking. This is the chief recommendation of the much-exploited Splawn report. (page 5)

## Truck and Rail

INSTEAD of fighting, motor truck lines and railroads in the Middle West work out an ingenious combination service, to the advantage of both. (page 7)

GERMANY attacks the truck versus rail problem in characteristic fashion; creates a truck monopoly, limits sub-agents to 30-mile hauls, at minimum rail rates. (page 16)

## Cement Troubles

PLANS for reform of selling methods in the cement industry break down; chaos ensues. And the government starts investigation No. 3

(page 10)

## Packer Sells Fleet

PACKERS invariably have owned and operated fleets of freight cars. Swift & Co., shatters precedent; sells its 6,000 cars to General American Tank Cars, which will operate them. (page 22)

## Meat

MEAT is cheap, not because of overproduction, but because of little demand. A campaign is launched to increase meat eating. (page 26)

## Oil

MARKETING practices, proration, imports still worry oil men, and, to top it all, they rather expect a Senate investigation. (page 18)

## Muscle Shoals

CONGRESS passes a Muscle Shoals bill, but apparently that means nothing; the interminable controversy still is just that. (page 18)

## Few Defaults

SURPRISINGLY few bond issues or mortgages are in default, but the strain of low price levels and sluggish business is beginning to tell. (page 20)

## Canada

PRESENT tariff rates in Canada are temporary, effective by proclamation. Permanent revision is forthcoming; hearings are on. Coal, iron and steel are vexatious problems for Mr. Bennett.

(page 22)

CANADA'S new tariff regulation on finished automobiles hits higher-priced cars hard for the benefit of lower-priced; is designed to stimulate branch factories. (page 23)

## The World's Automobiles

THERE are 36 million automobiles in use in the world now. We have only 2.1% more than last year; the rest of the world, 7.2% more.

(page 26)

## Sloan, of G. M.

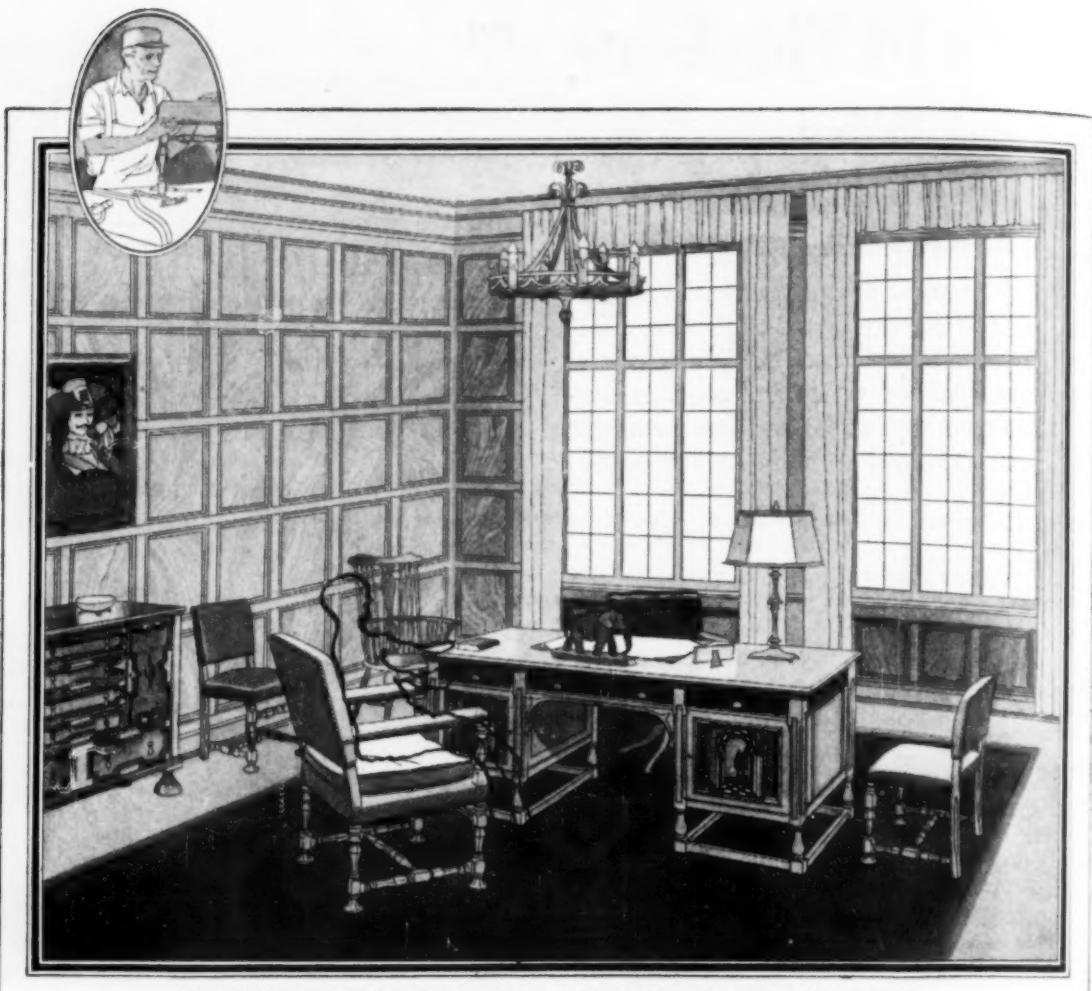
"WE never give an order in General Motors," says its president, "we 'sell' the idea to those who must carry it out." (page 28)

## Europe Tightens Lines

EUROPEAN nations meet in Paris. They talk wheat sales, but they mean more than that; they are cementing solidarity against the world outside. (page 32)

## Russia

RUSSIA'S building goes on apace; the pinch comes in operation. How to develop mechanics and managers is bothering the Soviet leaders now. (page 40)



EXECUTIVES DEMAND THAT THEIR OFFICES HAVE THE FRIENDLINESS OF WOOD OFFICE FURNITURE

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ture of inimitable beauty, the rich hues of mahogany...the simple dignity of walnut...the sturdiness of oak give "life" and character to the office...create a congenial atmosphere that is conducive to increased capacity for work, efficiency.

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W O O D   O F F I C E   F U R N I T U R E

THE BUSINESS WEEK

# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

News of the week ending February 28, 1931

## Rail Report Carries Challenge To All Holding Companies

### Urges Broadening of Senate Inquiry to Cover Other Uses of This Control Device by Business

THE chief significance of the report to the House Committee on Interstate Commerce made by its counsel, Walter M. W. Splawn, on the power of Congress to regulate rail holding companies, lies in his recommendation that all holding companies engaged in interstate commerce (telephone, telegraph, radio, electric light and power, gas, water, and, possibly, banking, insurance, and investment) be investigated to determine whether some form of legal restraint is necessary.

This, in the opinion of informed observers, overshadows in importance his recommendation for immediate enactment of legislation that would place within the jurisdiction of the Interstate Commerce Commission the acquisition of control over any railroad, whether by holding company or otherwise, resulting in affiliation with another road (bill introduced in House Feb. 21).

#### Suggests Further Search

By indirection, such expedient legislation would impose a modicum of regulation upon rail holding companies, such as the Pennroad and Alleghany corporations, that have ignored the commission's ideas and followed their own designs in railroad map making, but it does not cover the holding companies' own conduct in the issuance of securities or in other matters which affect the public interest.

Pointing out that the use of the holding company has been more varied in other than railroad fields, Mr. Splawn says:

"Before deciding whether or not to regulate the holding company in certain of its uses or abuses in interstate commerce, it seems that the committee should be fully informed as to the exact nature of this device, as to whether or not its uses vary from one line of business activity to another and as to what

are its economic advantages and disadvantages with respect to each character of business in which it is used. . . . If federal regulation of the holding company is necessary, the reasons for that necessity should be clear, the evils to be remedied should be apparent, and the scope and the limits of desired and possible federal control should be clearly set forth. Necessary protection should be afforded, in so far as it is possible under federal regulation, to those who would otherwise suffer without interfering with or placing undue burdens upon legitimate and desirable business activity. Formulation of such legislation will require a comprehensive and prolonged study by this committee."

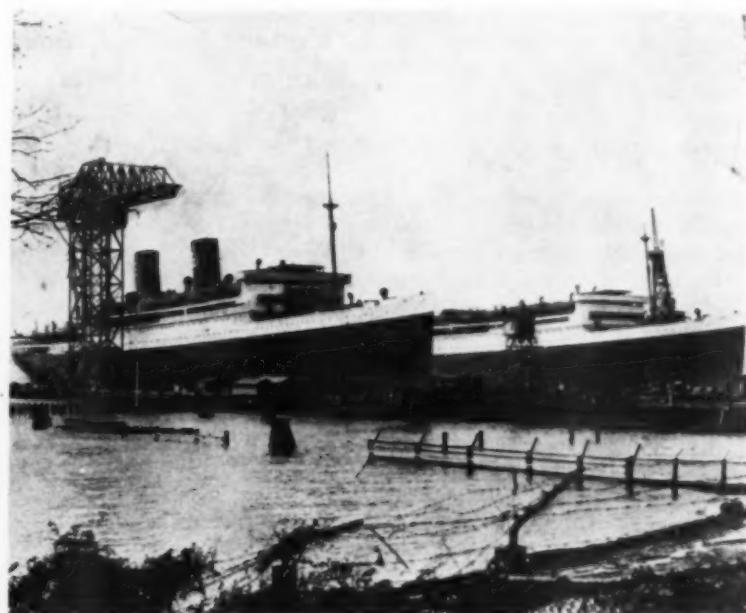
Mr. Splawn did not recommend that

the rail holding company should be outlawed. He submits three reasons why the holding company is preferable to the operating company as a basis for rail consolidation: (1) It is a more symmetrical type of managerial organization; (2) it offers the advantage of a more effective financial plan; (3) it is adaptable to the control of constituent companies within the system, subsidiary to or affiliated with the operation of railroads.

#### Some Findings

The disclosures made by the report concerning ownership of the railroads and that part that a few great holding companies have played in seeking new alignments did not cause much surprise, although Chairman Parker thought that "the disclosures herein contained will undoubtedly provoke a desire to regulate the holding company as an agency in business."

Analysis of the manner of control exercised over 160 Class I railroads reveals that 13 of them, with less than 3,300 miles in operation, are controlled by industry; that 31, with an aggregate



International News

#### THE PRESIDENTS

*The President Coolidge (right) joins the President Hoover in the water. The crack liners of the Dollar Line are the largest-built in this country*

of nearly 30,000 miles, are controlled by individuals or families. The Van Sweringen brothers have inherited the mantle of the Hills and of the Vanderbilts, as most of the 30,000 miles of the 31 companies controlled by individuals or families is now under the Cleveland strategists. Thirty-two railroads operating 47,000 miles are held in large part by one or more interests. Sixty-two, with a total of 146,000 miles, show no marked concentration of ownership.

A strange paradox is presented by the fact that while the Interstate Commerce Commission's plan recommends consolidation of the railroads into 19 systems, 15 major groups now control 210,000 miles, or nearly 85% of the rail mileage.

Most of the holding companies in the rail field have been used merely for convenience in tying subsidiary corporations in with the parent companies. Perhaps the most impressive facts brought out by the investigation are the wide distribution of the ownership of railroad voting stock, and the simplicity of the capital structures of the railroad companies. Of 147 Class I roads, 80 have only one class of stock and 44 have only two classes of stock. Equal voting rights attach to all classes of stock except in a few cases. The stock of 160 Class I roads stands in some 840,000 names.

## "Railroad Families" Hold Stock, But Not Control

THE Congressional committee's report on railroad holding companies contained one surprise, at least, for the transportation world and even for railroad men themselves: the limited extent to which rail securities are held by individuals and family groups. The holdings of the old families prominent in the early development of railroad properties apparently have been scattered. The names of the Goulds and Hills do not appear at all in the list of 8 large individual or family holdings. The largest holdings of the Harrimans (Union Pacific) amount to only 1.85% of voting control.

In the words of Chairman Parker: "A striking fact is the small influence of family holdings in our American railways. There are only 8 of these family groups and, with the exception of an occasional road, like the Western Pacific, you will not find the percentage of total voting power held by a family to be of any great significance. The Baker family controls about 10% of the Lackawanna;

Arthur Curtiss James seems to dominate the Western Pacific (36%); the Vanderbilts have about 17% of the voting stock of the Pittsburgh & Lake Erie. For years the public has thought of the New York Central as a Vanderbilt property. This report discloses that the Vanderbilts hold less than 5% of the voting stock." Which is a lot of stock, at that, if not a lot of control over the railroad's operations.

The Vanderbilt family leads in the number of shares of common and preferred stock held (500,000), with Arthur Curtiss James, who has frequently been described as the largest individual owner of rail securities, second with 500,000. George F. Baker and George F. Baker, Jr., hold 467,000 shares; the Widener family, 161,000 (chiefly Reading and Jersey Central). Edward S. Harkness' holdings total 150,000 (largely N.Y.C. and Southern Pacific), while the Fahnestocks (Lackawanna, Pennsylvania, Central of N.J.) and Harrimans (principally Union Pacific) have holdings of slightly under 100,000 shares.

Cleveland got a thrill over the fact that the Van Sweringen brothers control 28,000 miles of railroad, the most extensive mileage under the control of one group in this country. The Hill systems (Great Northern, Northern Pacific, Burlington) are listed together in the report with a total mileage of 27,000. The Pennsylvania controls 24,000 miles.

## Western Roads Remain Skeptical of Mergers

WITH slight increases in grain loadings and occasional spurts in passenger traffic, executives of Western railroads, interviewed this week by *The Business Week*, were disposed to adopt a more hopeful tone in speaking of the railroad situation and of business conditions in general.

Merger plans, as discussed in the East, find the Western rail officials in definite opposition. One executive was unable to see how the public could believe that consolidations could achieve such economies as to lower rates, when exactly the opposite tendencies are apparent in rail circles. Another questioned the amount of savings thus to be realized. A third emphasized the difficulties involved in the administration of huge rail systems. Unrest in labor circles was included among reasons why consolidations at this time are not advisable.



International News

CHARLES HAYDEN

*The Spawr report credits him with 64 directorships; he alone knows just how many he holds*

## Biggest Companies Bucked the Depression Hardest

IT is the largest corporations that, in the aggregate, have best withstood the depression. This is the story told by *The Business Week's* compilation of 1930 earnings statements (Feb. 25).

Forty-four concerns, each with net income in excess of \$10 millions for 1930, showed a decline in profits from 1929 amounting to only 12.9%. This was largely due to the steady influence of utilities.

Fifty-five companies each reporting earnings between \$5 millions and \$10 millions in 1930 lost 25% from their 1929 levels. One hundred fifty-three companies earning between \$1 million and \$5 millions in 1930 showed a loss of 26.8%. And 211 concerns earning less than \$1 million in 1930 fell 60.3% behind.

The smaller companies showed up best in the list of those that climbed against the trend, though this is largely due to the fact that there are so many more small concerns than large ones. Of the 108 listed in last week's issue as showing better earnings in 1930 than in 1929, 36.1% earned less than \$1 million in 1930; 40.7% between \$1 million and \$5 millions; 10.1% between \$5 millions and \$10 millions, and 12.9% above \$10 millions.

# Truck and Train Work Together, Each Doing Its Own Best Job

## Motor Transport for Container Pickup and Delivery, Rails for Long Haul, Cut Costs for Both

MOTOR truck operators are taking to the railroads and electric railways to cut operating costs on long hauls. Groups of them are drawing up plans for using rail facilities where these excel—in distance hauling—and confining themselves to operations in which the truck excels—the short-haul, pick-up-and-delivery service. Many transportation authorities see in this development one of the most effective means yet suggested for coordinating highway and rail transportation and enabling the railroads to win back a portion of the traffic which they claim has been lost to the trucks. Several railroads are reported actively interested in the idea.

The plan is already in operation in Ohio where a group of trucking companies have organized Cargo Transport, Inc., as a forwarding company using containers for the movement of freight over the lines of the Cincinnati & Lake Erie, between Cincinnati and Toledo.

The operation is relatively simple. Cargo Transport leases from the Motor Terminals Co., of New York, containers which can be carried on trucks as motor

truck bodies. Cargo Transport furnishes a pick-up service in Cincinnati, Dayton, and Toledo, using the containers mounted on its trucks as bodies. The containers are hauled to the railheads, lifted off the trucks and placed on railroad flat cars (2 to a car) by gantry cranes erected by the Motor Terminals Co. The containers are then hauled to destination by rail, Cargo Transport providing a store-door delivery service.

### Costs Are Cut

The truckmen now engaged in the operation claim that it cuts their operating charges in half; that the intercity haul costing 30¢ a mile by highway, comes to only 15¢ by rail. Delays due to highway congestion are obviated. The railroad is able to handle the shipments under a favorable car-mile revenue with the virtual elimination of the heavy terminal expense involved in moving less-than-carload freight. The mechanical interchange of containers between trucks and flat cars reduces the rehandling of shipments.

Under a tariff filed with the Public Utilities Commission of Ohio by the Cincinnati & Lake Erie, the railway moves the containers under a minimum tariff of 30¢ a car mile. The rail company pays Motor Terminals 25¢ per lift for use of its cranes. The only terminal expense to the railway is that involved in the spot and pull service in moving cars to and from gantry cranes at each end of the rail haul, plus 50¢ for loading 2 bodies at the point of origin, and 50¢ more for unloading them at destination, a total of \$1 per car, aside from switching movements. The rates charged to shippers by the truck company include pick-up-and-delivery service.

Over-night freight service is given under this plan between Toledo and Cincinnati, and second-morning delivery to Michigan and Kentucky cities. All container loads are covered by insurance of \$20 thousand a load.

The service is being extended over rails of the Eastern Michigan Railways to Detroit and beyond, and to other Michigan cities by motor truck over the highway because of the absence of rail facilities. Motor Terminals Co. reports a present demand for 2,000 of its containers; 300 are already in use.

## Pennroad to Simplify Ford's D., T. & I. Set-Up

THE last chapter in Henry Ford's adventure into railroading has just been written in an application to the Interstate Commerce Commission for reorganization of the Detroit, Toledo & Ironton Railroad and its subsidiary companies. Under the new plan all of the Ford properties acquired in 1929 by the Pennroad Corp. would be combined in one corporate entity.

Henry Ford organized the Detroit & Ironton, a new company, to lease the D., T. & I. This plan was disapproved by the commission because it would deprive a 2% minority of any voice in the management or of any profit that the D., T. & I. might gain from hauling Ford traffic.

New additions made to the system, however, have been placed in the name of the new company, so that the present financial set-up of the road is rather complicated.

The D., T. & I. now seeks authority to acquire control by deed and stock ownership of the Detroit & Ironton and the Toledo Detroit, simplifying the structure.



THE TRUCKMEN USE THE RAILROADS

Each container is a truck load; two of them fill a car. Special cranes make short work of the transfer from truck to train. Truckmen get lower costs; railroads get business; shippers get store-door service

# Germany Sends Its Sales Aces To Capture Russian Orders

## Trade Delegation to Moscow, Worried by American Competition, Will Use Credit Terms for Bargaining

EUROPEAN NEWS BUREAU (Cable)—The German trade delegation leaving for Russia this week is probably the most representative that has gone from any country to Russia in recent years. Both Berlin and Moscow attach the utmost significance to the conferences. The 5-year-old Soviet-German trade agreement is due for debate. Renewal terms may be highly beneficial to Germany.

German industries represented on the delegation are important ones. There are AEG (German General Electric); Siemens (electrical equipment); Krupp (Germany's outstanding steel concern now manufacturing especially locomotives, trucks, agricultural and road-building machinery); Kloeckner (coal mining and steel producing); Stahlverein (\$190-million German Steel Trust, second largest German industrial corporation); MAN (large machine builder which now specializes in diesel motors, trucks, and printing machinery); DEMAG (West Germany's leading machine builder, specializing in cranes, hoists, pneumatic tools); Hirschkufer (copper and brass manufacturing); Metallgesellschaft (non-ferrous metals).

### Heavy Orders Heaviest

Soviet purchases in Germany during 1930 reflected increasing concentration on heavy industrial equipment at the expense of light types. While orders for equipment for the mining and metallurgical industries in the last 2 years rose from \$3.2 millions to \$12 millions, machine tools from \$4 millions to \$9.7 millions, power station equipment from \$4.4 millions to \$8.2 millions, orders for equipment for the machinery, textile, leather, and miscellaneous light industries declined.

Germany stresses the fact that the present visit to Moscow is due exclusively to Soviet initiative. This may be formally correct, but the ready acceptance of the invitation is due to such things as fear of competition by the United States, which last year, for the first time, outsold Germany in Russia. Also, there are hopes of possible profits from the boycott movement

in a number of countries, including Belgium and France. Finally, there is the pressure of unemployment.

German industrial circles hold that a substantial increase in Russian exports is highly improbable in the next few years; that, therefore, import possibilities, which depend exclusively on exports, also are limited. Hence the desire to secure the largest possible quota of what is considered stabilized import volume. Discussion of credit facilities is unavoidable. Germany would make further commitments conditional on the guarantee of regular minimum orders.

### The Soviets Offer Canada A Sporting Proposition

OTTAWA (Special Correspondence)—With the Bennett government on the verge of excluding Russian coal from Canada, announcement is made in Ottawa that the Soviets are offering to

buy \$10 millions of Canadian agricultural machinery on condition that \$3,350,000 of Soviet coal is accepted in part payment, the balance to be in gold. The news comes from Sir Herbert Mackie, former member of the Canadian Parliament, now acting for the Soviet government.

As an inducement, the Soviets agree to attend a conference on wheat marketing with the view of eliminating the charge of dumping. It is understood in Ottawa that the machinery order had been intended for the United States.

While New York had no further details on the Soviet offer to Canada it was admitted by authorities there that bargaining negotiations with Canadian manufacturers are under consideration. Canadians are already familiar with Russian coal, the F. P. Weaver Coal Co., Ltd., of Montreal, having taken nearly \$2½ millions of it last year. They know, too, the value of Russian orders. In 1928, these totaled more than \$5½ millions. Last year, they came to only \$3 millions, went largely to agricultural machinery manufacturers. The Massey-Harris Co., Ltd., of Toronto, held the largest contracts (for farm machinery).

References to a wheat conference are justly indefinite. Business men recall the statement made recently in New York, by V. I. Meshlauk, vice-chairman



BUILDING RUSSIA'S GREATEST METAL WORKS

Russian-built caterpillar-type tractor hauling construction machinery to Magnitogorsk where the Soviets are building, under the direction of Arthur G. McKee & Co., the Magnet Mountain Steel Mill, with potential annual output of 2,100,000 tons of rolled steel



Bonney

#### GETTING READY FOR 1931

*Paul Vallat, head of the French "department of touristing." Last year he reformed the annoying "taxes" and "surcharges." This year, he seeks to open up the lesser known provinces to the tourist dollar*

of the Supreme Economic Council, before 300 prominent business leaders: "It is my belief that matters of ruinous international competition in the marketing of wheat and other products could be solved by means of international agreements in which the Soviet Union would willingly join." Beyond this, there is no evidence that concrete plans for any grain conference to include Russia have been formulated.

The Soviets this week placed orders with the American Locomotive Co. and The Baldwin Locomotive Works for 10 steam locomotives of the 2-10-4 and 2-10-2 types. This first order for locomotives of this type to be placed here since the survey of the Russian railway system by Ralph Budd indicates fulfillment by the Soviets of their plan to modernize the railways along American rather than European lines.

## Sumatra Tobacco Too Strong; Knocks Out Kendall Bill

EMBARRASSED by the hullabaloo over convict labor, Russian trade with this country (and our trade with Russia) has languished. What Russia needed, and what has saved Russian trade for another year, was a good 5¢ cigar.

That cigar turned out to be loaded. There was dynamite in the fine Sumatra wrapper, and last week it exploded in the Senate Finance Committee room, fatally injuring the Kendall Bill then on the table.

This bill was designed to advance the tariff embargo on the products of forced or indentured labor. Meaning, particularly, Russian lumber and manganese, but necessarily including the Sumatran wrapper which is a favored part of that bulwark of American prosperity, the nickel cigar.

For in Sumatra, 80,000 indentured Orientals cultivate 80 tobacco estates, totaling 668,000 acres. For which, besides rice and a sarong, they receive 12¢ a day.

Connecticut and Florida workers get \$4 and \$5. Growers of "shade" cigar leaf wrappers in those states grew indignant, injected into the Hawley-Smoot tariff a provision increasing the duty on wrappers some 8%, bringing it up to \$2.27½ a pound. Then they saw a chance to ban the imported article entirely, raised the hue and cry against indentured labor hitherto reserved for Russian products.

Of the 6 billion cigars produced, more than two-thirds are covered with the Sumatra-Java leaf wrapper; the balance wear wrappers of domestic growth.

Connecticut and Florida growers would like the business, insist that they can readily increase their acreage to 20,000 acres to produce 30 million pounds of wrapper almost identical with the imported brand, enough to take care of the entire demand.

#### Potent Opposition

Opposed to the embargo were the big cigar manufacturers—American Cigar Co. (Cremos), General Cigar Co. (Robert Burns, White Owls, Wm. Penns), the Sumatra tobacco importers, the filler and binder growers of many a state.

At the Senate Committee hearing, representatives of these interests declared that advancing the date of the ban would wreck their industry; that there was only 4 months' supply of Sumatra in American warehouses. Speaking for Pennsylvania, largest cigar-making state, Senator Reed declared it would throw 50,000 men out of work—though the cigar-wise know that it is Lancaster County that wants Sumatra's wrappers, York preferring Florida's.

#### Easing the Embargo

If the embargo does not go into effect until next January, it won't be so troublesome. Importers have already made special arrangements with the Dutch syndicates to ship direct from Sumatra in December the 1931 leaf that ordinarily would not be received from Amsterdam until the spring of 1932. And there are rumors of a change in Dutch colonial labor laws that will get succeeding Sumatran tobacco crops around the embargo.

#### Farm Board Will Export Wheat to Clear Ports

THE Farm Board's milling wheat stocks at Atlantic, Gulf, and Pacific Northwest ports will be offered in export markets during the next 4 months, according to George S. Milnor, president of the Grain Stabilization Corp. A maximum of 35 million bushels are thus to be disposed of, but not below the prices of the principal wheat exporting countries.

The corporation declares that this move, aimed at clearing port facilities for the new 1931 crop, is not to be interpreted as marking any change in domestic policy regarding the 1930 crop, as it is committed to maintaining the domestic price. Announcement of the plan had a bearish effect.

# New Sales Plan for Cement Breaks Down and Chaos Ensues

## Meanwhile, With 2 Investigations Already Going On, the Government Starts No. 3

THAT the cement industry is already in a state of chaos, due to excessive production capacity and the resultant fierce competition, has not restrained the U. S. Senate from authorizing an investigation by the Federal Trade Commission, to ascertain if there are any violations of anti-trust laws or if unfair trade practices are employed in the sale of domestic or foreign cement.

Two other government investigations are already under way. The Federal Trade Commission is looking into the use of the basing point method of establishing price. Apparently this job has not been completed. The Tariff Commission, under the Flexible Tariff clause, wants to see whether the 6¢ per cwt. (gross) rate established by the 1930 tariff in removing cement from the free list is equitable. This investigation has been going on for some time. Agents of the commission are to study producing conditions here and in Belgium. A hearing is scheduled for April 14.

### Opinion Is Divided

Cement manufacturers are divided as to what effect the new investigation may have on their business. Some contend that business is bad anyway, that an investigation can do little harm and as no improper practices are being employed, it can only bring a clean bill of health and a subsequent period of rest from governmental scrutiny and interference.

Others take a less optimistic view, feel the investigation is unwarranted, a waste of public funds; that it will result in stopping practically all constructive sales-building effort, and serve as a distinctly retarding factor at a time when the cement industry along with all other industries needs the utmost push.

### Dealers Are Confused

Recent attempts to stabilize conditions in the cement industry through adoption of a new marketing policy (*The Business Week*, Dec. 10, 1930) have not been successful. Dealers in building supplies and masons' materials registered violent objection to any plan to eliminate or cut the traditional 10¢ a barrel differential. They overlooked

the fact that they had rarely made 10¢ net, that the new plan made sure of 5¢ a barrel profit, and would strengthen their position through elimination of many trade abuses.

The National Builders' Supply Association, and several state bodies, first protested the new plan, then re-considered when it became clear that undue resistance to the new plan might completely eliminate dealer-protection and cause direct selling to contractors.

### Fears Justified

Such fears were not unfounded. Several small manufacturers withdrew the new plan, announced a flat price and no special recognition of dealers. Universal Atlas Cement Co. (United States Steel Corp. subsidiary) on Jan. 23 announced restoration of the old sales policy with prices subject only to usual cash discount of 10¢ a barrel for payment in 15 days, but no differential. Others fell in line.

Lehigh-Portland Cement Co. Feb. 2 reiterated its position, expressed confidence in principles of dealer distribution, continued its November 10¢ plan, but issued Feb. 11 a warning to dealers that continued pressure due to competitive conditions might force revision.

### National Meeting

Objecting dealers realize they have rejected a valuable opportunity to fortify their position, have caused greater confusion, may lose all protective consideration in cement marketing. C. W. Denison, president of American Clay & Cement Co., Rochester, N. Y., called a general meeting of dealers from all parts of the country, for Cleveland, Feb. 18. There the old differential and the non-protective flat price were condemned. Manufacturers were urged to adopt the dealer protection plan with 10¢ service payment.

To avoid misunderstanding of its policy, Medusa Portland Cement Co. Feb. 17 reiterated elimination of all service payments to dealers, stated it would sell at lowest prices to all big public and semi-public jobs, would protect only those dealers who perform full functions, including carrying accounts.



*The Business Week*

GENERAL TREXLER

*The chairman of Lehigh Portland Cement—largest producer in the world—believes in constructive marketing, practices his belief*

Today marketing practices divide cement manufacturers into 3 groups: (1) those still adhering to the Lehigh plan, chiefly the Lehigh and Alpha companies; (2) those quoting flat prices without dealer protection; (3) supporters of International Cement Co. in rejecting the Lehigh plan, and adhering to the old 10¢ differential.

Protesting against Group 1 policy, many dealers shifted allegiance to members of Group 3, now find themselves facing intense competition from direct-selling group 2 adherents. Contractors benefit by being able to deal direct with manufacturers on an equal price basis.

Intensified, constantly shifting, profitless price competition is in progress. Some believe the mergers will be necessary to get a new deal, produce better conditions. And the government has three investigations under way, although the one just authorized may be delayed for lack of funds.

### Coast-to-Coast Line Now Goes Coastwise

THE shipping puzzle on the North Pacific has assumed additional complications with announcement by the American-Hawaiian Steamship Co. that it will hereafter participate in coastwise business, offering a sailing weekly each

from Puget Sound and the Columbia River. This service will be handled by the company's regular intercoastal carriers.

Reasons for this invasion of a local field by a coast-to-coast company have

not been made public. Good guessers suggest retaliation on some of the lines involved in the rate controversies of the Intercoastal Conference, which ended in disagreement Feb. 13 (*The Business Week*, Feb. 25).

## New Labels Must Tell What And How Much a Can Holds

JUST what, and how much, is in a can will be less of a guess after May 17 when new regulations promulgated under the McNary-Mapes amendment to the Food and Drugs Act become effective.

While these have been designed primarily to protect the consuming public, once enforced they will automatically eliminate one of the weapons used with more or less effectiveness by independent food merchants in their fight against chain stores.

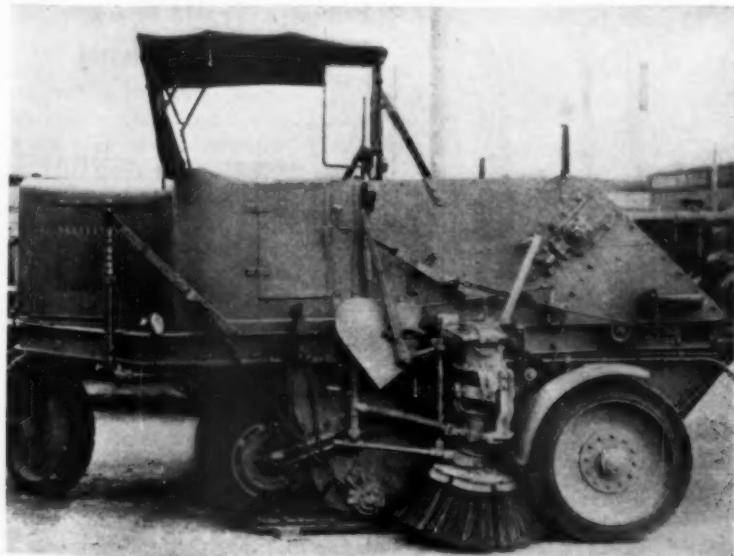
Whether justly or not, chain stores have been accused of getting special packings of canned goods of the same size and with labels like those furnished through regular channels to independent outlets. However, volume of solid contents was supposedly reduced, cutting the cost per can, and enabling chains to undersell independents on an apparently identical product, without any real sacrifice in profit.

Definite standards of quality, size, weight, quantity, coloring matter, liquid contents, condition of canned peas, peaches, and pears have been announced by R. W. Dunlap, acting for the Secretary of Agriculture.

Goods not up to the minimum requirements named for the first-quality product must bear in type of a specified size the legend "Below U. S. Standard, Low Quality, But Not Illegal," a compromise phrase constructed from what the canners wanted and the Department of Agriculture deemed essential.

When contents are not at least 90% of volume the cans must bear the words "Slack Filled" in letter size equal to that announcing the name of the article.

Peaches when packed must be 80% unbroken and free from skin, scabs, bruises, frost bites, sunburn; otherwise the can must bear the sub-standard label, and if packed in water, a label reading "Water-pack Peaches."



WHICH IS THE FRONT?

This newest of the German street sweepers will be exhibited at the Leipzig Fair. Motor and steering wheel are in the rear to enable it to brush out the gutter while sweeping the street

European News Bureau

## Film Machine to Invade Radio-Phonograph Field

Extensive adjustments in the radio and phonograph fields are likely to result from the commercial development of a home entertainment and educational device known at present as a "reading machine" which, it is understood, will soon be put on the market by the Radić Corp. of America.

This invention of Dr. Byron Eldred uses film of standard talking picture width. Since no pictures are needed, the space usually taken up by them allows room for 500 sound tracks. The film runs back and forth through the device and in this way the reading of a complete novel can be recorded on 30 feet of film, an opera on 15 feet, a symphony concert on 3 feet.

It is understood that the device can be attached to either radio or phonograph.

## Real Estate Gets New Type Of Investment Trust

A NEW type of investment trust to provide a new type of real estate financing is being organized in Chicago.

It is a Construction Investment Trust, designed to issue shares or certificates supported by a pool of many small individual mortgages.

Oscar W. Rosenthal, who built Marshall Field Garden Apartment Homes and who is now president of both Builders Association of Chicago and Illinois Builders League, is organizer.

Details of operation are not worked out. It is planned, however, to acquire mortgages direct from individuals who will build, rather than from banks and builders who now hold them.

## Smaller Paint Brushes, More Jobs, Union Idea

BROOKLYN, N. Y., house painters are much perturbed over a new employment extension plan.

It is simple. Painters propose to use brushes 3 inches wide, instead of 6. The Boss Painters Association of Long Island protests; declares the change would double the number of painters needed and asks the Supreme Court to enjoin the union from calling strikes when boss painters refuse to permit it.

Union officials say the small brush is incidental to the controversy; that boss painters are not abiding by a wage scale adopted some time ago.

# Swift Sells Rolling Stock To Expert Car Fleet Operator

## Packers' New Competitors Wonder If Decree Change Has Something To Do With Sale

MORE than passing significance is attached to the announcement that Swift & Co., world's largest meat packing company, has sold its entire fleet, a train of 6000 refrigerator, tank, and stock cars to General American Tank Car Corp., thus breaking away from the ranks of large packers who up to now have considered the owning and operating of their freight service indispensable to economical operation.

### Operates 40,000 Cars

General American already owns and controls over 40,000 assorted railroad cars, including 2700 refrigerator cars, leases many for specific operation by manufacturing and distributing companies, maintains its own shops at Sharon, Pa., Fort Worth, Los Angeles, Tulsa, St. Louis, Spokane, Lincoln, Buffalo, New Orleans.

Increasing its equipment by 15% through the Swift sale enables the com-

pany immediately to become a more dominant factor in the field of food distribution, may so greatly improve its competitive position as to impress other large packers with the advantages of divesting themselves of their present rolling stock.

The possibility of greater economies under the new set-up is given as the reason for Swift's disposal of its cars. But competing distributors, nervously watching every move by the packers since the modification of the famous consent decree, wonder if this is not another link in the chain of developments resulting from the court ruling.

To the packers freight car ownership and operation has been a source of profit and a cause of prosecution. Much of the government's action against them under the anti-trust laws has revolved around that activity. Freight rates are an important factor in the cost of products at point of

distribution. The packers have been able to haul livestock to their plants in their own livestock cars, process them under the most economical manufacturing conditions, distribute the finished product in their own refrigerator cars to their branch houses, all at the lowest possible cost.

Even when they met or undersold local competition their profits were called excessive. The most recent attempt of the U. S. government to prosecute them resulted in their acceptance of the consent decree, which, after being in effect 10 years, was modified January, 1931 (*The Business Week*, Jan. 14).

Under the modification the packers will once more be able to capitalize more completely the extensive facilities of country-wide distributing organization. Swift & Co. immediately announced its intention to market a complete line of canned foods under its own label (*The Business Week*, Feb. 4). Shipping canned and other packaged foods to branch warehouses in refrigerating cars that carry sides of beef and other meats hanging from the roof means reducing the cost of freight for packaged products to the irreducible minimum.

Use of quick-freezing processes for food preservation will probably be extended and, through accompanying advantages, increase the opportunity for further substantial savings by more effective use of freight car space.

## Foreign Trade Week Rouses All California

LOS ANGELES originated 5 years ago what is now known as Foreign Trade Week. San Francisco and other leading cities joined the movement 2 years ago, and it was sponsored by the State Chamber of Commerce. Now it is an annual event, held always from Feb. 16 to 22, proclaimed by the governor and the mayors of the chief cities, participated in by all public service and club groups, and to a degree by everyone in the state. It is a new idea.

Foreign Trade Week is not a convention but an educational campaign, a week devoted to an intensive study and discussion of the problems and possibilities of foreign markets, the purpose being to make California's industries, agriculture, merchants, housewives, and even the school children "foreign-trade minded."

The event turns into a series of more than 100 conventions, all going at once,



Keystone

### BABY STREET CARS

Frankfort, Germany, has put into service these 16-seat cars. Individual chairs are of steel, modernistic in design. Electric horn, window-wipers and stop-lights have been borrowed from the motor bus



## MEN GROW WITH YOU IN PIEDMONT CAROLINAS

DO YOU WANT men who will grow with you, men who will develop as your affairs develop, men who will build themselves and take on responsibility as you build your business?

You will find in Piedmont Carolinas that even the humblest "hand" often has in his make-up elements of loyalty, intelligence and the will-to-succeed that is reminiscent of an earlier day in America.

Look at what is behind these qualities, so wide-spread among the people of Piedmont Carolinas:

They are 99% native born, descendants of the pioneers that subjected a wilderness to civilization and helped mightily to win the War for Independence.

Although this is by far the most widely industrialized section of the south, three times as many of our men and women are engaged in farming, as in factory work.

Their energy and industry are partly traceable to a sturdy inheritance, but credit must also be given to the climate of this section. The dry, bracing atmosphere is invigorating even in midsummer, and never for long subject to muggy spells that bring a train of prostrations and enervation. Winters are moderate and comfortable. The general average of health is high; the death rate for the Carolinas is among the lowest in the Nation.

MEN ARE MANAGING large factories who a comparatively few years ago were punching the time clock, and the number of major executives who have developed

from such apparently unpromising beginnings is unusually large.

People here are pretty much "folks." There is not the wide cleavage between class and class so often found where national and racial sources differ greatly.

The mill owner and his chief lieutenants engage in the community life of the place where the factory is located. They support the same churches. The children attend the same schools. All this is possible because the level of intelligence is high and because there is mutual understanding and respect between employer and employed.

Limitless supplies of important raw materials, strategic location with respect to national markets, and abundant hydro-electric power all contribute to make Piedmont Carolinas great. But beyond these things, the most important single element is the character and energy of the men and women who live and work here.

That is the fundamental reason why this region has, in a few short years, witnessed an industrial development without parallel.

GET THE FACTS. Send for PIEDMONT CAROLINAS, WHERE WEALTH AWAITS YOU, business letterhead, please. Address Industrial Department, 412 Power Bldg., Charlotte, N. C. Your request will receive prompt and courteous attention.



### AN INVITATION

Would you care to visit a number of typical factories in this section? Plants making products similar to yours? Just let us know when you would like to come, and the types of operations you want to see. We shall be glad to help arrange such a visit for you in every way possible.



**PIEDMONT  
INDUSTRY  
CAROLINAS**

MARCH 4, 1931

DUKE POWER COMPANY  
SOUTHERN PUBLIC UTILITIES CO. AND OTHER ALLIED INTERESTS



*As part of the drive to make Los Angeles foreign trade conscious, poster contests were held in the schools. This one, by Alethea Friedman of the Hollywood High School, won first prize in the evening school division*

and all devoted to a single end. The key cities organize speakers' bureaus to handle the local communities, and the orators, outstanding in the fields of industry, finance, and education—and including such Eastern experts as happen to be in the state—donate their services. In San Francisco, Oakland, and Berkeley, the Stanford and State University faculties take a leading part. In other sections, the college and high school officials contribute. The discussions center always around trade problems, opportunities in foreign fields.

#### Slogans Widely Used

Throughout the 7 days, the service, social, and other clubs turn over their programs to Foreign Trade Week speakers. The press gives liberally of its space. Pertinent slogans are abundantly displayed: "Markets Are People, Not Places." "The West Looks Westward, Not to the Far East, but the Near West." "Overseas Markets for California Products."

To the Pacific Coast, this subject quite largely means trade with Western Canada, Mexico, Latin America, and especially the Pacific Littoral. The Pacific Northwest exports large quantities of wheat, fruits, fish, and lumber. California each year sells \$350 millions of merchandise in foreign lands—one-quarter of her canned goods, one-third

of the dried fruits, a huge volume of petroleum, much lumber, and an endless variety of other manufactured goods. Last year, China, India, and New Zealand—(plus Finland and Germany)—bought \$5 millions of California oranges.

#### Of National Import

This Pacific Coast trade is of national importance; 70% of our lumber exports, 22% of our iron and steel, 21% of our automotive products, and 19% of our petroleum reach Pacific Ocean markets from the West Coast, while 98% of the nation's silk, 87% of our rubber, and 84% of our jute come from the Pacific, and largely by the same route. Of America's \$2,215 millions of trade with Asia and Oceania in 1926, \$1,054 millions went through Pacific ports. The sum total of this West Coast trade in 1928 was 119 million tons, valued at \$5,151 millions, which was one-sixth of the nation's total, one-quarter of our gross ocean commerce, and more than half our intercoastal commerce.

The growth of this trade has continually encouraged the Pacific Coasters. In 1900, they did \$128 millions of business with the Orient, and in 1926 \$1,054 millions. Their exports in 1921 were \$311 millions against \$545 millions in 1928. According to a recent Department of Commerce bulletin, Pacific ports trade with the West Coast of South America increased 238% in 13 years, against 47% for the rest of the world.

## How to Sell in 1931

### —Or in Any Other Year

HERE is the new selling code for 1931, according to the schedule formulated by Charles F. Abbott, executive director, American Institute of Steel Construction:

1. Replace volume sales with honest, intelligent, and aggressive selling at a profit.
2. One price to all without any concessions or discrimination.
3. Abandon all misrepresentation.
4. Abolish all secret rebates.
5. No sales at cost or below cost.
6. Eliminate all commercial bribery.
7. Maintain standards as established by the industry, avoid any substitution or impairment of quality or workmanship.
8. Maintain a cooperative attitude toward competitors.
9. Adopt a sales policy that is fair to all, then vigorously carry it out.
10. Refuse to indulge in price-cutting because of some rumor that a competitor has submitted a lower price.
11. Insist that every order include a reasonable profit.
12. Support your trade organization to the limit of your ability.

## Bookkeepers Must Eat, Baking Company Insists

To counteract charges that bread prices are too high in relation to wheat prices, Zinsmaster Baking Co. is carrying on a



FOR QUICKER DELIVERY

*United Parcel Service, which makes a business of package delivery, saw no reason to use a 2-ton truck to carry half a ton of bulky bundles, designed a vehicle which would be economical in dollars and space. This first experimental truck has a short wheelbase, extra large body with doors both front and rear, and a sorting shelf in front of the driver*

# FRESH MILK



## *a Change in Definition*

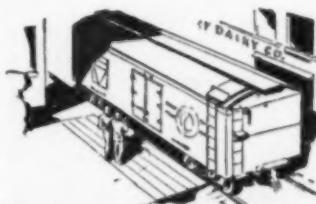
The "milk problems" of the past exist no longer. Gone is the danger of impure, unwholesome milk . . . taken from "city-lot" cows or shipped from the country in cans that were sometimes carelessly washed. The milk-man's high cart and clanging bell belong to a forgotten tradition.

Today milk comes to our tables as sweet and fresh as when it left the farm . . . which is sometimes many hundreds of miles away. Specially constructed glass-lined refrigerated milk cars enable it to be shipped great distances without any loss of its purity and richness.

This change in the definition of milk is indicative of the constant advancement of railroad transpor-

tation, in which General American has played so important a part. It has built, designed or invented hundreds of cars . . . milk, refrigerator, tank, express, stock and others.

It has perfected a transportation service that extends from coast to coast . . . a service that includes ten repair plants and a vast fleet of cars which it leases to shippers throughout the country. It also operates a large export terminal for the storage, handling and packaging of all kinds of bulk liquids—and, in addition, maintains an extensive European freight transportation system. Its vast resources and manifold activities make it the largest organization of its kind in the world.



No matter what you are shipping, you will find it profitable to confer with our engineers. Railroad transportation is always dependable—a railroad car can be built to carry any commodity in bulk. Write or wire, Continental Illinois Bank Building, Chicago.

**GENERAL AMERICAN TANK CAR CORP.**  
*"a railroad freight car for every need"*

newspaper advertising campaign in Minneapolis and St. Paul to inform the public of the various items of cost in baked goods besides flour.

For example, one advertisement is headed: "Strange, but true—Bookkeepers eat." After suggesting the clerical and other help employed, the statement continues: "We can't cut their

salaries because the price of wheat has gone down a fragment of a mill per loaf. And we can't do without them because there aren't enough cuffs on which to carry our records.

"So we're going to continue to give service and quality and employ the people necessary to keep up that service and quality."

lag. Legislators are busying themselves. Sen. Robert D. Carey of Wyoming, a big cattle man, has introduced a resolution asking for an investigation. State lawmakers are doing the same. The Wisconsin Senate unanimously ordered a probe to determine if unfair trade practices are the reason consumers are not getting low meat prices.

Special price comparisons show some startling reductions. Pork loins wholesale recently for \$13.00 per cwt., as against \$19.05 a year ago, and \$37.80 in September, 1919. Spareribs dropped from \$14.50 to \$8.40 within the year. Lamb carcass sold for \$19.35, against \$26.40 a year ago; choice beef carcass \$16.60, against \$21.75.

Of all livestock products hides have fallen most in the year past, from \$16.00 to \$8.52 per cwt.

It is usually thought that 8¢ per pound is low in the hog price cycle. Feb. 19 hogs sold in Chicago around 6½¢ average, with some grades down to 5½¢.

Heavy declines in exports add just that much to the problem of selling in an already jaded domestic market.

## We Eat Less Meat; Prices Drop; Industry Unites to Increase Use

NOR for many years have wholesale prices of meat been so low as they are today. Sluggish consumer demand, the result of payrolls at 80% levels, is the main cause, not overproduction. As a matter of fact, runs at stockyards have not been so big.

Never before have so many powerful interests joined to step up meat consumption. Institute of American Meat Packers and National Live Stock and Meat Board launched the campaign Feb. 12. National Association of Retail Meat Dealers, National Association of Retail Grocers, packers, chain stores, and others are lining up.

It is felt that if low wholesale price

levels are made known to consumers, the consumers will see to it that retailers who do not drop prices as they should are whipped into line.

Chain stores point out that they have had in effect for some time a policy of automatic price adjustment that passes reductions to consumers promptly. Some chains have increased sale of meats considerably. Bohack reports tonnage increases of 30% over 1929.

This prompt price adjustment by chains, which have been extending rapidly into the field of meat retailing, is today the most potent single influence in causing independents to do likewise.

Nevertheless, retail price declines



TICKETS, PLEASE!

The passenger (left) is a casing plug being shipped by air, full fare, from Los Angeles to the Standard Oil fields in Colombia, 4,000 miles away. It travels proudly as a passenger to avoid customs difficulties

International News

AMERICAN oil interests have won their first major legal battle against Sir Henri Deterding's Royal Dutch-Shell, and in an English court. The decision that Anglo-Saxon Petroleum Co. must pay royalties to General Asphalt Co. for its Vegas concession in Venezuela may incite other American interests to carry to courts their many complaints against Dutch-Shell which now are buried in stuffy State Department files.

It all started when asphalt scouts found oil in connection with their discovery of the famous Trinidad asphalt lake. Not being particularly interested in oil, they took Dutch-Shell in as partner, and retained a 25% interest in the oil concession. Following the war, a series of intricate financial maneuvers were undertaken by Dutch-Shell. In the end, Shell asserted that it no longer controlled the oil concession; could not be held responsible for royalties due to General Asphalt (*The Business Week*, July 23, 1930).

According to the London court decision, Shell was wrong. It must pay General Asphalt between 400,000 and 500,000 barrels of oil in accrued royalties; must pay future royalties at the rate of 2,000 barrels daily; is assessed all costs of the litigation.

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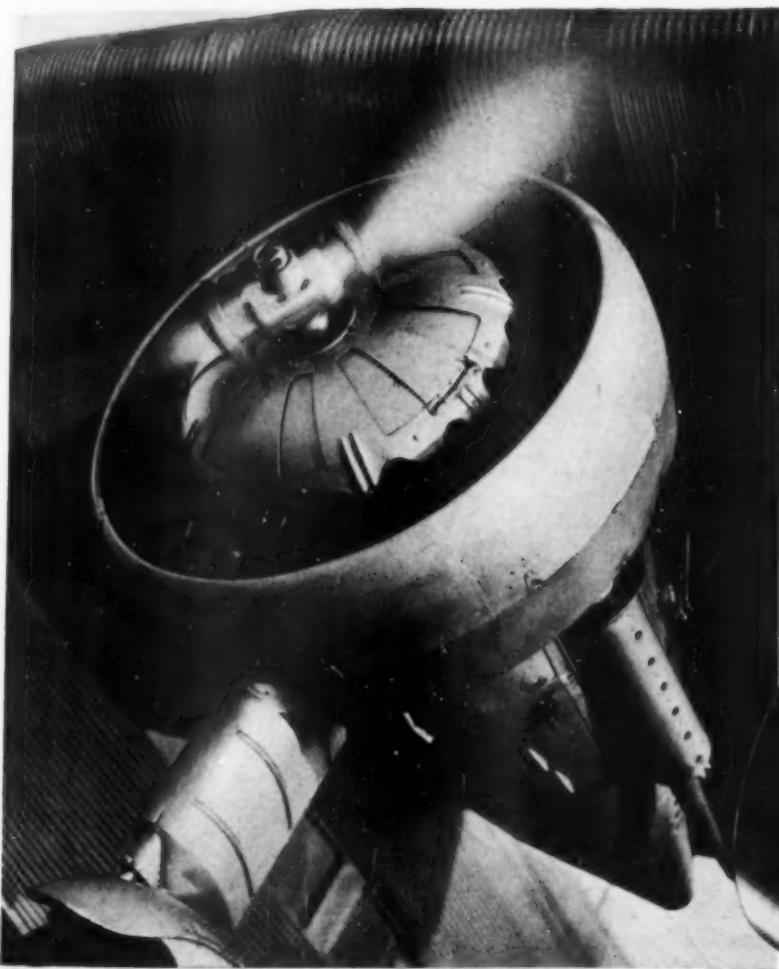
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Every aviator knows that "Nothing is apt to cost so much as a bearing that cost so little."

## WHEN A BEARING FLIES... THERE'S NOTHING BUT PERFORMANCE THAT COUNTS!



Pratt and Whitney  
Wasp Motor equipped  
with **SKF** Anti-Friction  
Bearings on Ford  
Tri-Motored Plane.



**SKF**  
Ball and Roller Bearings

Along the skyways . . . where chances are always much too long to take . . . where human lives and the development of a new industry depend upon Performance . . . the bearings invariably are **SKF**.

Men who plan and build the things that fly do not buy on price. Price alone means nothing up where wing-tips brush cloud-tips in passing. Performance is the only thing that counts.

And so today there are more **SKF** Anti-Friction Bearings in use on aircraft and aircraft equipment than all other makes of bearings combined. **SKF** Industries, Inc., 40 East 34th St., New York, N.Y.

2654



*The Business Week*

#### FOR RUSSIA'S BRITISH OIL TRADE

*Built and manned by the British, owned by the Soviets, this is the first of a fleet of tankers which will carry Russian gas and oil around England for Russian Oil Products, Ltd. England buys 20% of all Russian oil; one company, the Birmingham Corp., takes 3 million gallons of gasoline annually*

## The Oil Industry Turns Wearily Back to the Old Problems

### It Will Have to Work Fast to Keep The Senate From Taking a Hand

WITH all hope abandoned for an oil tariff or embargo from this session of Congress the petroleum industry returns to the dismal task of trying to solve its own problems.

Those concerned with distribution, aggravated by the Federal Trade Commission's annihilation of its trade practice code, were scheduled for discussion Mar. 4 at a special marketing conference in Chicago. An attempt will be made to get the industry to carry on under the code without the technical approval of the commission.

Production problems have been helped by that rigid curtailment of crude output and refinery runs which has drastically reduced stocks. But the apparently disastrous results for many independent producers, the increasing agitation against further curtailment leave it a question as to how much longer proration plans can be operated.

Current prices for crude are so low

that many independents maintain there is no profit in their operations. Fear of still further price cuts is spreading with the development of East Texas fields and the Sinclair low-price bid for Oklahoma City crude (*The Business Week*, Feb. 25).

A somewhat embarrassing development from Congressional hearings on the oil embargo bills is the probability of a Senatorial investigation of the industry. Bitter division, particularly between the so-called independents and the "big" companies; the recklessness of the charges which were hurled back and forth apparently convinced some legislators that an investigation would do no harm.

In particular, committee members could not understand the industry's price-fixing methods. Proponents of the embargo claimed that the spread between tank-car prices at refineries and tank-wagon prices at service stations is

so large that price changes in crude oil have no apparent effect on retail charges. Opponents declared that limitation of foreign imports would increase crude oil prices \$1 a barrel, gasoline 4¢ a gallon.

#### Senate Curiosity Aroused

Independent producers pointed out that, at the same time that fear of lower crude prices was harassing the Mid-Continent region and actual sales of crude at prices well below the market were being made from East Texas fields, a general increase in gasoline prices of 1¢ a gallon was being made in East Coast markets. Inaugurated by Texas Corp. a few weeks ago, nearly all other major marketers have followed suit. While this increase applies only to refinery prices now, the trade expects it to be reflected eventually in higher service station prices.

The terrible curiosity of the Senate has been aroused and it seems quite likely that before another year passes petroleum practices will be thoroughly aired as a basis for possible remedial legislation.

#### Passing Muscle Shoals Bills Settles Nothing

CONGRESS passed the compromise bill for government operation of the power plants at Muscle Shoals, leased operation of the fertilizer plants, but made thereby no great progress toward solution of the interminable controversy.

In the first place, everyone agreed the President would veto the bill; it could not be passed over his veto. It may have a better chance in the next Congress.

But even if it becomes law, Senator Norris will be far from realization of his great ambition to put the government into the power business. There would be many a hurdle to take before Congress would appropriate the millions necessary to build Cove Creek dam and transmission lines.

The fight over the government operation issue would simply pass into a new and bitterer phase. As for the fertilizer plant, opinion among experts is that no lessee can be found, willing to accept the conditions. Many say the plant is utterly obsolete. (For a full discussion, see *The Business Week*, April 23, 1930.)

One thing does become obvious; development of other proposed power sites in the Tennessee valley will be blocked just as effectively.



# THE SHREWDEST BUYERS SEE GREATEST VALUE HERE

EVERY executive responsible for crane purchases should know about "Milwaukee" Electric Hoists . . . their ability to cut production costs . . . their moderate price . . . their outstanding features for which you pay no more!

These small hoists, traveling on an overhead monorail, handle loads from 1/4 to 10 tons . . . speedily, safely and at less cost. They pay for themselves quickly . . . and their application is almost universal.

At no extra cost you are offered push button control . . . roller bearings throughout . . . double drive hoist gearing . . . and other features that assure long service at lowest cost. The most exacting comparison proves that "Milwaukee" offers greatest value.

Thirty-five years of knowing how are built into "Milwaukee" Hoists . . . for they are guaranteed by P & H, world's largest builder of cranes and hoists.

*Get greater value for your hoist dollar . . . and  
cut production costs . . . with "Milwaukee"  
Hoists. May we send you a copy of Bulletin 202?*

Traveling Cranes up to 300 Tons . . . Low Headroom Cranes 3 to 30 Tons . . . Single I-Beam Cranes 1/4 to 5 Tons . . . Monorail Hoist (all types) 1/4 to 10 Tons . . . Lumber Cranes . . . Bucket Cranes . . . Corduroy-Crawler Cranes . . . Gantry Cranes . . . Single Line Buckets.

*Milwaukee Electric Crane & Hoist Division of*  
**HARNISCHFEGER CORPORATION**  
4163 W. National Ave., Milwaukee, Wisconsin



# MILWAUKEE

# Debtors Still Paying Up, But Must Have Help Soon

## Defaults on Bonds and Mortgages Few So Far; Better Prices, More Business, Will Ease Strain

DEBTORS, facing a constantly increasing burden resulting from the 23% fall in commodity prices since the high of September, 1928, and a decrease in business activity of 31.6% from the high of July, 1929, so far have met their obligations with encouraging regularity, though signs of the strain are almost everywhere apparent. Increase in creditor delinquencies thus far has been very small compared with total obligations.

The further outlook is obscure. Further price deflation, increasing the weight of debts still more, would bring more delinquencies, but many commodities show signs of stabilization. The question of debtors' ability to continue to meet obligations 23% heavier than 2½ years ago, even if prices stabilize, must be answered by the future. There are many doubters. A substantial increase in business activity would somewhat counteract lower

prices in many cases, and in these the question of duration of the depression is all important.

Foreign government borrowers are hard hit by both deflation and depression. Interallied debts are most frequently discussed, coupled with reparations payments by Germany from which allied nations obtain funds to pay the United States. Lower prices result in a lower money volume of trade and smaller international payments, cutting the balances available for debt payments. Lower rate of business activity decreases taxes, hurting revenues, while expenditures tend to rise. While no definite official steps toward a moratorium, repudiation, or decrease in these debts have yet been taken, some such action appears probable if some alleviation of present difficulties does not soon occur. No European government has yet failed to meet obligations.

Latin American governments have

not withstood difficulties so well. Peru, Bolivia, Brazil, and Mexico have been forced to default interest or principal or both on some issues, largely due to the terrific decline in value of their chief products. Sinking prices of other bonds of these countries reflect the holders' nervousness. For the same reasons, bonds of many nations whose record thus far is satisfactory are low in price. Australia, hard hit in wool and wheat, considers steps to relieve her distress, but best financial opinion doubts that Great Britain would permit any default.

### Foreign Industries Pay

The burden on foreign corporate borrowers also has risen, but thus far defaults on such securities have been negligible.

Mortgage lenders to American farmers face an especially difficult position, though available records indicate a fairly good record thus far. The 12 Federal Land Banks, with net mortgage loans of \$1,189 millions, have only 0.6% delinquent, slightly above a year ago, and their holdings of real estate and sheriff's certificates have increased but little.

The 49 Joint Stock Land Banks, with net mortgage loans of \$554 millions, also have but 0.6% delinquencies, a decline from a year ago. Their real estate holdings are up slightly, their sheriff's certificates down.

Insurance companies, large agricultural mortgage lenders, show no figures, but individual reports tell of greater difficulties with collections, dislike to lend money to agriculture. All mortgage lenders have eased terms considerably. Moratoriums really are in effect, though they aren't called that. The lenders do not want the real estate; hesitate to foreclose.

### Corporate Defaults Rise

Domestic corporate defaults rose during 1930 and have continued since, but the major portion resulted neither from depression nor deflation. The ill effects of these forces have been shown in earnings, wage payments and dividend payments, but little in borrowings. Thus the \$50 millions of utility bond defaults in the year ended Nov. 1, 1930, were largely street railway issues, representing an industry whose difficulties are older than deflation or depression. No railroad issues have defaulted. The \$118-million increase in industrial bond defaults was largely real estate, resultant from overbuilding in boom times.



HAMMERING THE KEYS

The "demolition room" at Remington-Rand's. Every year, thousands of machines taken in trade, unfit for rebuilding, are destroyed, sold as scrap

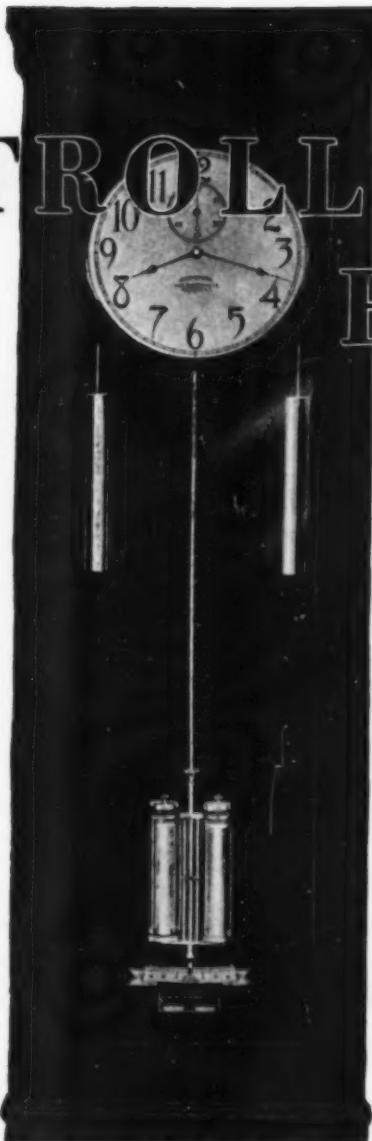
# THESE CONTROLLING HANDS PROTECT PROFITS

**T**IME leaks are expensive. They cost the average business at least two or three percent of its annual payroll simply because the importance of EXACT TIME has been overlooked.

Employees wages represent a lump-sum purchase of productive time coming into your place of business each day—a purchase that requires a great outlay of actual cash. It should be measured, checked and recorded just as carefully as materials coming into the Receiving Room. Before it can be used profitably, it must be controlled accurately.

The modern executive CAN control time—in both individuals and departments—by providing supervised uniform time standards to regulate activity throughout his entire organization. He can effectively safeguard the money value of each minute and make it yield full return in profits from production—with International Supervised Time Control.

Ask an International Time Specialist to show you how "these controlling hands" can assure complete protection for your profits.



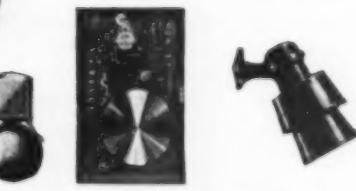
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INTERNATIONAL TIME RECORDER AND ELECTRIC TIME SYSTEMS  
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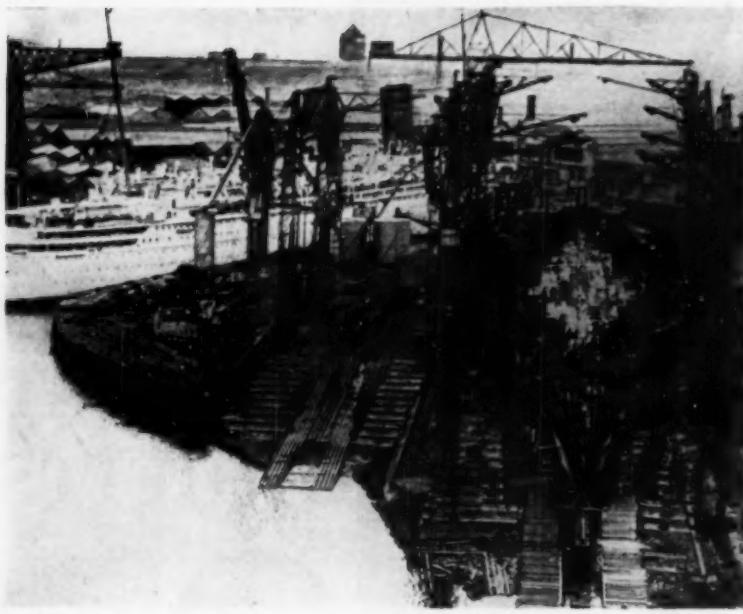
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Wide World

#### THE BEGINNING OF THE BIGGEST

The Clydebank yard of John Brown & Co., Scotland. At the right is the bottom of the Cunard Line's 73,000-tonner which will be by all odds the world's largest. In the background the Canadian Pacific's Empress of Britain is getting the finishing touches for the transatlantic trade

## Canadian Tariff Plans Hit Trouble on Iron, Steel, Coal

### General Revision, Centering on Primary Industries, Must Meet Many Conflicting Demands

OTTAWA (Special Correspondence)—In further preparation for the general revision of the tariff promised for the forthcoming session of Parliament, a committee of the Bennett cabinet has begun to hold public hearings on tariff applications.

In Ottawa these hearings are looked upon as very largely a gesture in implementation of an undertaking hastily given by Premier Bennett at the special session of Parliament in September. The present administration has followed the policy of privately gathering information to guide it in its tariff revision plans, probably has in its possession nearly all the facts it requires to determine the character and extent of the proposed revision.

In the emergency revision of September certain so-called key industries, notably textiles and farm implements and certain other iron and steel manufacturers, were dealt with. In secondary manufacturing, it is minor industries

that, for the most part, remain to be given additional protection.

Primary industries will figure most prominently in the forthcoming revision. These include agriculture, iron and steel, coal, wood products, fisheries. Agriculture will be given protection on certain products on which it now meets considerable competition. Duties are expected on lumber and other soft wood products in which importations from the United States are substantial. The Canadian fisheries industry demands protection on certain importations competing with its own products, particularly sardines.

Iron and steel and coal present the most difficult of the government's tariff problems. The finished products of the iron and steel industries are the raw materials of secondary manufacturers who object to the increased costs which would result from additional protection. And manufacturers in the central part of the country, particularly steel manu-

facturers, protest against being penalized by protection on bituminous coal for the special benefit of their Nova Scotia competitors. Nova Scotian demands include abolition of the duty drawback on bituminous and a duty of \$1 a ton on coke. The duty on coke probably will be granted, but the government's decision on coal is problematical.

### Coal Rates Question

Premier Bennett has promised to tackle a national fuel policy. His problem is how to overcome distances. Canada has coal in abundance in British Columbia and Alberta in the West and in Nova Scotia and New Brunswick in the East. The central provinces, the great consumers of fuel, have none and are adjacent to the American coal fields. Both the Canadian National and Canadian Pacific Railways draw most of their requirements from their own mines in the United States. In addition to tariff protection, Nova Scotia wants freight rates subvention increases to give a fixed rail rate of \$2 a ton on its coal shipped into Ontario.

The Premier has tentatively suggested the elimination of competition among the 3 existing Canadian steel plants and the fourth which U. S. Steel is developing at Ojibway, Ont.—each plant to confine its production to certain lines.

Other lines of Canadian production which are likely to be included in the general tariff revision are chemicals, mining and logging machinery, magazines, and possibly sugar and molasses. The chemicals industry has a good footing, but is meeting severe competition from outside. The market for logging and mining machinery is substantial and the manufacturers seeking to supply it are anxious to develop. American magazines practically monopolize Canadian newsstands. Objectors claim that their advertisements attract a large volume of Canadian trade that otherwise would remain at home. Government officials have been studying the problem of how best to apply a tariff to discourage entry.

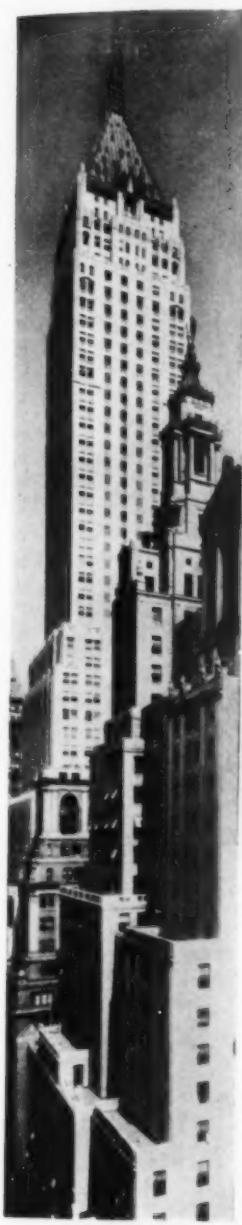
### Protection Wanted

Beet growers and beet sugar manufacturers in Ontario and Alberta are requesting increased protection.

Suggestions that, in view of the arrangement for holding an adjourned session of the Empire Economic Conference in Ottawa this year, the general tariff revision might not be proceeded with at the coming session are being abandoned. Indications are that Premier Bennett intends to carry out his plans.

# • QUIETIZED •

The deep-carpeted office of Mr. Stephen Baker, Chairman of the Board, Bank of the Manhattan Trust Company.



**R**EDUCED to its essentials, modern business is made up of but one thing—decisions. Behind those decisions lies a stream of thought, of reasoning. In the degree to which your thinking is sound and orderly your business prospers, grows.

Thinking, even under the most favorable conditions, is the hardest work in the world. Handicapped by Noise—the incessant, distracting sounds that infest to-day's business office—concentrated thought becomes difficult and at times impossible. And then decisions, the very life-blood of any business, suffer.

Increasing numbers of American business leaders, realizing this, have acted to offset this serious handicap to decisive thinking—both for themselves and their valued assistants. They are fighting Noise with Quiet. One by one, they are equipping their offices

with those devices which destroy Noise.

Chief of these is carpeting, which absorbs, blotter-like, the surrounding indirect sounds—the clatter of machines, the buzz of talk, the roar of traffic outside—while it deadens all direct noise, such as heel taps and the shifting of chairs. Carpets, in fact, are the only counteractant to noise that possesses this two-fold capacity to Quietize.

Three years ago the Mohawk Carpet Mills pioneered in developing and advertising fabrics ideally suited to Quietize the business office. It recommends, among others, Chenille, patterned or plain-tone, and Broadloom, in a variety of plain-toned fabrics. Both weaves offer a fitting dignity and beauty, plus long wear and economy—and productive Quiet.

We shall be glad to refer you to a dealer who can meet your requirements.

Mohawk Carpet Mills, General Sales Offices, 295 Fifth Avenue, New York.

## MOHAWK RUGS & CARPETS

# Bennett Jumps Automobile Duty To Hold American Branches

It took the Bennett ministry 5 months to make up its mind to release the blow prepared in legislation last August for automobile imports from the United States. Now that it has fallen Canadians expect a boom in American branch plants in the Dominion; Americans doubt that it offers any insurmountable obstacles to their exports across the border.

Increased protection is provided by fixing values for duties on the basis of an arbitrary discount of 20% from manufacturers' list prices. Hitherto, duties have been levied on prices to Canadian importers who are allowed 25%, 30%, and, in a few cases, even 35% from list.

For example, on a \$1,000 car 30% off to the Canadian importer, the 20% duty is now levied on \$800 instead of on \$700. An excise tax of 5% and a sales tax of 1% charged on value for duty plus customs duty become \$48 and \$9.60 instead of \$42 and \$8.40 under the old plan. These increases total 14.3% on a car imported 30% off list. There will be no increase on a car imported at 20% off list.

Then a dump duty, the entire difference between the price to the importer and the value for duty, is added, automatically pinning the discount to Canadian dealers at 20% since American manufacturers are unlikely to pay dump duties long. This regulation may have serious immediate effect upon American sales because it will be difficult to organize a Canadian distributing system on a 20% discount basis. However, the American makers decreasing their official discount to 20%, will probably look for other methods of giving their Canadian dealers a better break in competition with Canadian-built cars.

## Branches Shut Down

Ottawa correspondence reports that Canadian communities boasting branches of United States motor car factories hailed the new regulations with rejoicing and extra editions of newspapers. Some of these branches were getting ready to shut down and let the parent companies supply the Canadian market from across the line. Studebaker at Windsor announced that it was actually in the closing-out process. General

Motors is reported to have intended to pull out with most of their lines next summer.

According to H. A. Brown, vice-president and general manager of General Motors of Canada, the increased protection will mean \$75 millions additional automobile manufacturing annually in Canada—\$40 millions gained by exclusion of American cars imported for domestic use and \$35 millions by transferral from the United States of manufacturing for export to other parts of the British Empire. Mr. Brown adds that, on the average, producing a car in Canada instead of importing it means \$460 more for Canadian labor.

Before making the change the Bennett

government secured from all manufacturers positive undertakings that added protection would not be exploited for price raising. General Motors and others forecast price reductions, possible through greater volume of production in what is, to all intents and purposes, an exclusive market.

The action taken is aimed mainly at medium-priced cars, particularly Hudson-Essex, of which 15,000 a year have been imported, completely finished and assembled.

## Trend to Canada

Hudson-Essex has options on a couple of plant sites across from Detroit and will establish a branch. Other manufacturers are considering a similar move.

Dealers in high priced cars are sacrificed. The Canadian market for these is not sufficient, even with imports prohibited, to induce their production here, and the increased cost under the duty change will reduce purchases. Several thousand people, it is claimed, will be thrown out of work in this end of the business. Consideration for these makers had deferred the decision, but it was finally determined to let them suffer for the greater good.

The former government had the change in mind last May but the general election intervened. The present administration took authority from Parliament to make it in September. Action was by order-in-council, effective immediately.

## "Canada First" Policy Is Paying Dividends

OTTAWA (Special Correspondence)—Mr. Bennett's "Canada First" policy continues to return dividends in enlargement of Canadian industry. Since the September tariff increase, 3 British textile manufacturers have established in Canada; 14 others are negotiating.

Percy Sparks, clothing manufacturer and chairman of the Canadian Garment Manufacturers' Association, told a cabinet committee this week that within 12 months no woolen fabrics from Great Britain or elsewhere would be imported into Canada.

So far the increased duties have affected mainly imports of cheaper clothing materials. Canadian mills have not been equipped to make the finer cloths. But Mr. Sparks says they, too, will be made here; that he is receiving from Canadian mills better cloths at lower prices than he has had in 24 years.



THE CROWN IN CANADA  
The Earl of Bessborough succeeds Lord Willingdon as Governor General of Canada

# THE COLUMBIA RIVER BASIN

## POURS\* ITS WEALTH INTO PORTLAND



\*The Columbia River Basin and Portland is analogous to a colossal funnel. The widest part of the basin is the rim of the funnel and the outlet at Portland is the spout. See map.



**\*PORTLAND'S ANIMATING CLIMATE**

Portland's seasonal climate is animating and energizing without excessive humidity and without extremes of heat and cold. It is considered "scientifically balanced." A world-renowned scientist states, "Man is more active physically at a temperature of 55 to 70 degrees than when it is colder or warmer, and he does his best brain work when outdoor temperature is around 40 degrees." Portland's climate fits these specifications exactly. A 10-year average for January was 39.6 degrees and for July 67.2 degrees. The enervating heat of torrid summers, the biting cold of frigid winters are unknown in Portland.

**ON-TO-OREGON, Inc.**  
1391 PUBLIC SERVICE BUILDING, Portland, Oregon

Please send me data on the Portland Market, its commercial and industrial opportunities and future.



**ON THE PACIFIC COAST** Nature endowed an area of 250,000 square miles (which is equal in size to the combined areas of all New England, plus New York, New Jersey, Delaware, Pennsylvania, Ohio, and Indiana) with climatic,★ topographic, and geographic advantages.

Around it she framed a barrier of lofty mountains, gave it one strategic, water-level gateway, where was destined to be the City of Portland, the commercial capital of this Northwest Empire.

Today this great Empire is called by economists the Columbia River Basin, and it is a funnel of commerce through which its trade gravitates into its natural spout at Portland. Portland is the logical distribution center of the Pacific

Northwest; that's why eastern factory branches, sales representatives and distributors are locating here on an unprecedented scale. And there are other reasons:

Portland is the first port in the Pacific Northwest... Portland offers unexcelled transportation and storage facilities: 4 transcontinental railways; 59 steamship lines; 109 auto freight lines; 6½ miles of docks; and more and larger warehouses than any city in the Northwest. Low living costs and high per capita wealth. (44.6% of Portlanders own their own homes.) Portland has an ideal working climate and unequalled social and recreational advantages.

These facts and others on Portland, the Ideal City in which to Work—to Play—and to Live, have been compiled in an interesting industrial survey and will be sent to any executive requesting a copy. Use the coupon.

*Come On-to-Oregon and Portland this year... learn first hand the opportunities that await the man with vision and capital. While here enjoy your favorite outdoor sport in America's most alluring vacation playground. The trip of a lifetime awaits you.*

## PORTLAND, OREGON

*The fresh water port of the Pacific*



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**"The public warehouse is literally a branch house of the manufacturer or producer using its service. It is equipped to handle all warehousing details and problems with its own shipping and clerical staff, and there is no doubt that it can handle distribution at considerably less expense to the shipper than any other method. We ship many carloads of our products to public warehouses for distribution locally and into surrounding territories. Our saving in distribution cost amounts thereby to approximately twenty per cent."**

Edward S. DePass,  
General Traffic Manager  
**CARNATION COMPANY**



## In 189 Cities . . . We'll Be Your Branch House

Helping You to Increase Sales, Speed  
Up Your Service and Cut  
Distribution Costs!

Merchandise warehouses operated by members of the American Warehousemen's Association are located in every distribution center of importance—ready to furnish all necessary facilities and services required for the strategic spot-stock distribution of raw materials, manufactured articles and service parts of every kind.

The flexibility of such a distributing system is almost unlimited. You can use as many warehouses as your business requires . . . in two cities, in twenty cities, or in a hundred cities! Costs are based on the number of units of your goods that are handled. You have little or no overhead if business is dull and very few shipments are moving through the warehouses . . . and whether business is dull or brisk you pay only on a "piece work basis" for goods actually stored or distributed by AWA warehouses. Such flexibility in controlling costs enables you to expand your business without risk, and to make important savings by using our warehouses instead of operating your own branches at a fixed overhead.

Full details of the AWA Plan are described in our 32-page booklet, sent free on request.



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**AMERICAN  
WAREHOUSEMEN'S  
ASSOCIATION**

1848 Adams-Franklin Bldg., Chicago, Ill.

## Senate Treaty Doses Give Canada Indigestion

OTTAWA (Special Correspondence)—Until Washington gives indications of a change of heart in its treaty dealings with the Dominion, Canadians will not take too seriously its reports that negotiations are about to open on the international St. Lawrence-Great Lakes waterway project.

Rejection by the Senate's Foreign Relations Committee of the Niagara Falls power development and beauty conservation treaty is being pointed to as illustrative of the difficulty and dissatisfaction of treaty dealings with the United States. The Canadian Parlia-

ment ratified 2 years ago; plans already developed must go by the board because, say Canadians, Washington has developed a public-ownership complex.

Then there are the Chicago water diversion treaty and understandings regarding the free movement of citizens across the border in pursuit of their business to add to the list of irritants. Mr. Bennett is understood to have intimated to Mr. Hoover that there will be no Canadian commitment on the waterway until the United States shows a disposition toward a satisfactory settlement of these issues. And Canadians add that this means a disposition toward more consideration for the other party.

## World Automobile Census Shows Greater Gain Abroad

AUTOMOBILES in use throughout the world on Jan. 1 totaled 35,810,768 according to a world-wide survey just completed by *The American Automobile* (Overseas Edition). This is 741,102 or 2.1% more than a year ago. The United States gained but 126,000; automobiles in use elsewhere increased by 615,000, total over 9 million motor vehicles.

While the world increase was but 2.1% over 1929, without the United States the rate was 7.2%. Europe led with a 9.6% advance over last year; Africa increased 8.8%; Asia 5.5%; Oceania 3.6%; America (except United States) 2.7%.

The 1930 prosperity of France is indicated by its increase of 178,000 cars in use—40% more than were added to United States registrations. Great Britain, Germany, Canada, Italy, Argentina were other countries with increased automobile ownership.

Replacement sales were important factors in 1930 world markets. *The American Automobile* estimates that of the 1,125,000 motor vehicles sold throughout the world—exclusive of United States—about 550,000 went to replace cars taken out of service. Replacements in this country are estimated at about 3 million.

Foreign markets were supplied by 425,000 American cars exported from this country and Canada; 600,000 manufactured by European concerns; 100,000 from unsold 1929 stocks. Based on a normal 6- to 7-year life for an automobile, much higher replace-

ment sales should be obtained in 1931. Six years ago, in 1924, the net increase in registrations outside the United States and Canada was 555,000; during 1925 nearly 893,000 motor vehicles were sold which, on the average, should be taken out of service this year.

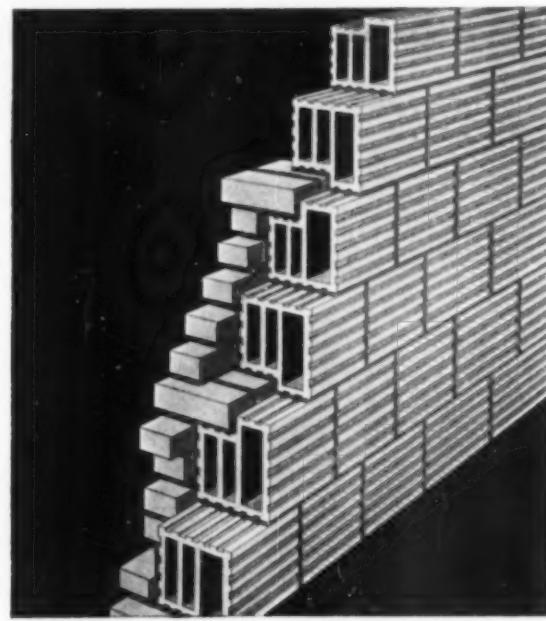
No important upsets in the relative ranking of countries took place last year. New Zealand, in tenth place last year, changed places with Spain then in ninth place. India, then in twelfth place, exchanged with Brazil, then in eleventh. In 1931, as in 1930, there are just 17 countries in which 100,000 or more automobiles are operated. They are, in order of rank: United States; Great Britain; France; Canada; Germany; Australia; Argentina; Italy; New Zealand; Spain; India; Brazil; Union of South Africa; Belgium; Sweden; Holland; Denmark.

Some surprises: Shipments of heavy trucks were the largest in history; overseas assemblies were the second largest in history; on many items of replacement products, shipments were larger than 1928; total car and truck exports were above the 10-year average.

*The American Automobile* finds there are nearly 26,000 trade units in the open foreign territories—that is, outside the chief motor vehicle manufacturing countries of United States, Canada, France, Germany, Great Britain, and Italy. There are 9,500 car dealers and distributors; 5,500 truck dealers and distributors; 5,400 service stations; 14,450 accessory and equipment dealers and distributors.

THE PRESENT DOLLAR MEASURES THE COST - THE FUTURE DOLLAR THE PROFIT

**THE FACING CAN BE,  
NOT JUST THE *skin* OF A  
BUILDING, BUT PART  
OF ITS *bones* THROUGH  
*Natco UNIBACKER TILE***

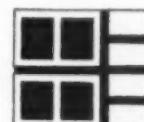
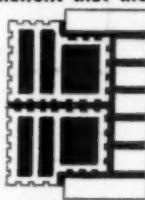


Natco Unibacker is a patented backing unit for brick faced walls.



Every six brick courses it establishes

a mechanical bond, so intimate and permanent that the facing becomes, not a mere veneer



but an in-

tegral and load bearing part of the wall.

Unibacker is easily and quickly laid,

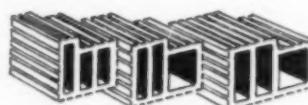


and effects pro-

only the one unit is needed. Each unit is equivalent to from eight to twelve brick



nounced savings in labor, mortar and time. Varying widths



provide for varying wall thickness-

es. Natco Unibacker, time-tried and proven, merits careful consideration wherever savings and service are prime considerations.

Natco Unibacker puts the facing to work, makes it bear its share of the burden, yields benefits during construction and after completion. May we send you an interesting book, "The Present Dollar?" It is yours for the asking.



**NATCO**  
THE COMPLETE LINE OF  
STRUCTURAL CLAY TILE

**NATIONAL  
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General Offices: Fulton Bldg., Pittsburgh, Pa. Branch Offices: New York, Chanin Bldg.; Chicago, Builders Bldg.; Philadelphia, Architects Bldg.; Boston, Textile Bldg.; Washington, D.C., National Press Bldg.

The largest concern in the world manufacturing a complete line of Structural Clay Tile and Underground Clay Conduit.

# "We Never Give An Order," Says Sloan, of General Motors

## Distaste for Prejudices, Contempt for Routine Help Explain His Success as a Leader

IN observing the polite warfare between General Motors and Ford it is interesting to note that the Titans represent opposite theories in management. Ford's organization is an unquestioning despotism. General Motors is a mosaic of committees under which scores of executives pursue a bewildering variety of activities. Both are dramatically successful. Of the two, General Motors is the more miraculous since its output is widely diverse, while Ford focuses on a single product.

### President Since 1923

One of the greatest single factors in the development of G. M. to its present effectiveness has been Alfred Pritchard Sloan, Jr., its president. While William Crapo Durant was shepherding scattered corporations into the General Motors corral he brought in Mr. Sloan as head of an accessories group. The 1920 débâcle forced Durant from the presidency. During that hazardous period the duPont overlords looked upon the works of Mr. Sloan and saw that they were good. From operating vice-president he went to the presidency in May, 1923.

Durant was one of the amazing personalities of the automobile's confused beginnings. Short, thick-set, powerful in body and brain, he strode up and down the industry like a hard-bitten admiral on a quarterdeck. His mind encompassed the details of all his deals. He loved the possession and display of power.

### No Shouted Commands

Transition from the Durant régime to that of Sloan must have been something like passing from the tumult of a battlefield into the quiet of a library. There were no more shouted commands.

"We never give an order in General Motors," says Mr. Sloan, "We 'sell' the idea to those who must carry it out."

Durant left a group of companies with tremendous possibilities. But as a composite machine there was much "clanking, pulling, leakage of power. It has been the work of Mr. Sloan to redesign and retune the entire corporate

mechanism. The present model is as intricate as the old one but it functions in sweet silence. Power is delivered at the desired point; gears do not clash in changing speed; bumps are negotiated without discomfort to the 285,000 stockholders.

Mr. Sloan has observed that the most



Wide World  
ALFRED P. SLOAN, JR.

important thing about management is to make men cooperate while acting with individual zeal and initiative. That principle is the lubricant on which General Motors operates. Good executives are men of positive minds, strong wills, decided opinions. This, in the Sloan philosophy, is the most difficult of all problems. He meets it by isolating real issues from pre-conceived prejudices, and considering subjects so denuded with an open mind. Says he:

"Differences in opinion are often differences in conception as to what is the vital point; one man argues for, another against, and all the time they are talking about different things."

His distaste for prejudices is equalled

by his contempt for blind routine. The fact that a process has been performed a certain way is no guarantee for its continuance. This scientifically receptive approach to problems is the surest guarantee against hardening of the mental arteries among G. M. executives.

Cooperation is achieved through committees. "Decentralized operations and responsibilities with coordinated control," is the way it is referred to.

Over-all control centers in an executive committee under the board of directors (of which Lammot duPont is chairman). But there is no committee management. President Sloan is the chief administrative officer and a connecting link between policy and actual control of operations. Below him, each manufacturing division is a complete entity with an untrammeled operating executive. Five Inter-Divisional Relations Committees keep these officials from losing touch or stepping on each other's toes. These include General Sales, Works Managers, General Purchasing, General Technical, Public Relations. Thus if several divisions using the same material can profit by purchasing as a unit, that is the way it is handled, through the proper committee. If nothing is gained, buying is independent.

### Responsibility Remains

In no case, however, is the responsibility taken from the head executive of the division. Perhaps he has a pet sales scheme which the committee turns down; he still can put it into effect.

What manner of personage is this Alfred P. Sloan, Jr., who has created the paradox of a complete organism with independent parts?

His appearance is as remarkable as his achievements. Mr. Sloan is tall (almost six feet) and thin to the point of lankiness. Probably he is the most impeccable dresser in the industry. A distinguishing feature are his collars, which are of an arresting height and as stiff as a Buick mud guard. The contours of his face run to strength rather than comeliness, but he has a smile!

### Always in High

Mentally Mr. Sloan is always going at high speed, physically he is seldom at rest. Even when talking to anyone in his office. A characteristic movement is to draw one of his feet into his chair and sit upon it. Perhaps that is to keep his restlessness from taking him on roaming jaunts about the room.

Curiously none of this unrest is communicated to the visitor. His bearing

# HANDLING BREAKS THROUGH THE COBWEBS . . .

*to leave New Floor Space  
for Production below . . .*

NO longer need your factory ceiling be just a "roof"—*unused, unprofitable*. Louden Monorail Systems have reclaimed this *other half* of the factory for handling—for transporting the loads that now crowd production, eat up valuable floor space, pound across over-taxed floors. Expensive changes in production routing are often avoided—the pressure for factory expansion relieved. What factory cannot make use of *extra floor space*!

Louden Monorail has become an indispensable factor in low cost production wherever it is installed because it is not confined to a standardized road bed. Monorail goes wherever production needs help—feeds it its raw material—processes its parts—makes one path for *all* handling operations. Louden Monorail saves manpower in handling small loads. It moves two-ton loads with the same sure, swift ease.

The inexpensive Louden Monorail System is easily installed in any plant . . . often saves up to *ten times* its cost in a single season. Why not take this "profit out of the cobwebs"—and gain more space for production in your own factory? An experienced Louden engineer will show you how . . . advice free.

Phone the nearest Louden office or write direct . . . The Louden Machinery Company, home office and plant, Fairfield, Iowa. Branch offices: Boston, New York, Buffalo, Philadelphia, Pittsburgh, Cleveland, Cincinnati, Detroit, Chicago, Milwaukee, St. Paul, St. Louis, Los Angeles, San Francisco.



New floor space for storage too! Louden Monorail cranes and tracks completely cover the storage floor in this large eastern plant—the cranes latching into the tracks at several points for convenience.

USE THE OTHER HALF OF YOUR FACTORY



## *Industry Uses More Miles of Louden . . .*

Louden—the first Monorail—holds the lead in almost every industry, handling all classes of products. Louden even designs special carrying devices to make each installation *tailored* to the job. Over a hundred Louden installations are pictured in the new Louden 64-page book "Economical Material Handling". Ask for a personal copy of this book—the most comprehensive discussion of material handling ever published.

# LOUDEN

**Industrial Monorail Systems**

1000 MONORAIL SYSTEMS IN USE

## This Year's Plans are Next Year's Profits

The economies of manufacture developed in the last decade have been ruthlessly wasted in unsound merchandising.

Producing a thing for which no NATURAL market exists and then trying to sell it has proven to be a profitless task. Profits cannot stand the strain of high priced, high pressure selling methods.

Management is fast recognizing this principle—"produce what can be SOLD, not what can be PRODUCED."

B K W Merchandising Engineers can help you discover your NATURAL market, can help you measure your sales potentialities so that your production and sales may be more closely synchronized.

An interview entails no obligation yet from it may develop this year's plans for next year's profits.

**BIGELOW,  
KENT, WILLARD  
AND CO., INC.**

**Consulting Engineers  
and Accountants—  
Merchandising  
Counselors**

**PARK SQUARE BUILDING  
BOSTON**

is simplicity itself and everyone is able to tell him something. Without knowing why, the visitor soon discovers that he is telling Mr. Sloan all about himself and later reflection forces a conviction that the interest is genuine. His voice is a mild drawl which rises in pitch if the subject is particularly interesting.

### **He Works a Long Day**

A work day from 9 to 6 with night conferences for good measure is not unusual for the G. M. president. His year is divided so that about half is spent away from the New York office in the plants and with the sales force. He never seems to tire. By some mysterious means he is able to draw on vast resources of nervous energy. He seldom exercises—probably doesn't know a mashie from a divot. A yacht is his nearest approach to a hobby.

Mr. Sloan is 55, married, has a home address on Fifth Avenue. He was involved in the beginnings of the automobile industry. Sloan, Sr., was a New Haven wholesale merchant. After graduating from the Massachusetts Institute of Technology in '95, young Sloan went to work with the Hyatt Roller Bearing Co. of Newark, N. J., in which his father was interested. Alfred P. Jr., became president in 1897. Folks were beginning to talk about the possibilities of horseless carriages and a few years later Durant was to raise derisive guffaws in Wall Street by predicting that "some day the country would be producing and selling 500,000 automobiles every year." Mr. Sloan convinced the early builders that his bearings were better than the greased axles that some thought good enough. He gained an intimate knowledge of production, management, sales, and advertising while marketing the Hyatt products. He delights to tell how he sold Ford his first order of Hyatt bearings. They are still friends. Mr. Sloan is anything but backward in acknowledging ancient debts.

"Mr. Ford became our best customer," he said recently. "As a matter of fact, my start in life was greatly helped by the support Mr. Ford gave our little business at that time."

Durant gathered the Hyatt company to the General Motors bosom and Mr. Sloan along with it. The newcomer was made president of the accessories group—proof that the daring organizer sensed the power that was in Sloan. But he could not have foreseen that Sloan would fall heir to the presidential shoes.

## **General Motors Getting Heaviest Share of Sales**

GENERAL MOTORS promises to make a better showing this year than last. From its introduction of the 1931 model in November until the end of February, Chevrolet has made close to 250,000 cars, or about 36% of the industry's total. This is a big gain from the 22% which Chevrolet has produced in the last 2 years. Ford's output of 55,000 cars in January was 29%; last year Ford turned out 42% of the industry total.

Buick is making almost 8,000 cars in February. Oakland and Pontiac have stepped up schedules several times, with 12,000 cars planned for March and a similar number for April. Oldsmobile also has scored a hit, has pushed up to 6,000 or more a month. Cadillac is holding its own.

### **Ahead of General Pace**

Thus General Motors is more than keeping pace with the industry in its Buick, Chevrolet, and Cadillac divisions and has strengthened Oakland-Pontiac and Oldsmobile, both of which have developed popular models this year. General Motors thus hopes to increase earnings over its 1930 showing of \$3.25 a share.

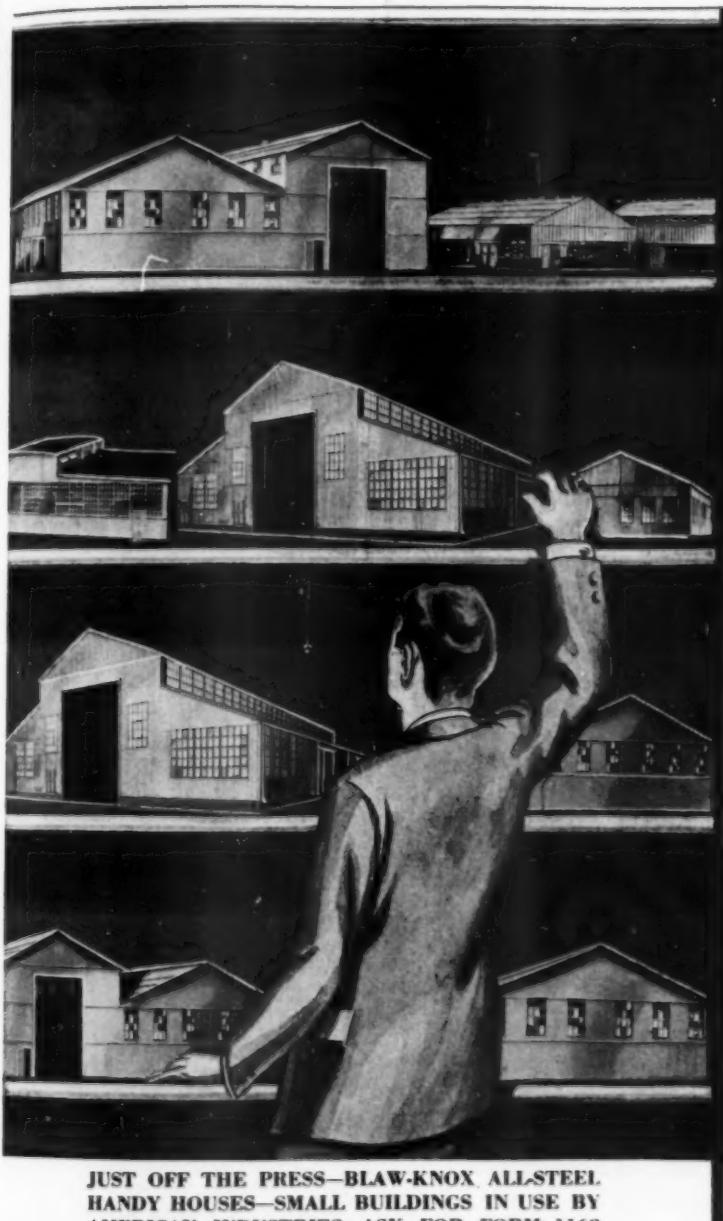
With Chevrolet in the lead, Ford has not been idle. The increase in dealers' discounts is having a beneficial effect; moreover, Ford dealers are said to have only 6 cars each, and 2 of these must be used for demonstration, leaving 4 in stock. It is little wonder, then, that February output may have reached 80,000 to 85,000, that March may go to 100,000. Meanwhile, preparations for a new 8 are reported under way at Highland Park; this already has resulted in a flurry in Briggs and Murray Body stocks on the Detroit Exchange.

### **First Quarter Lags**

February automobile production is estimated at 200,000 to 215,000; March should show 250,000 to 275,000. This means the first quarter's output should be 650,000 to 675,000, as against a million, 1930. The industry will have to show tremendous gains if it is to pass 1930, let alone reach the forecast of 4 million cars this year.

Heavy truck manufacturers are not coming back as rapidly. It is expected truck output will continue downward for another 30 days, when a pickup will occur. Truck production in 1931 should reach at least 600,000 units.

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### Roads Cut Freight Rates on Automobiles

RAILROADS soon will announce reduction of freight rates on finished automobiles, effective April 10, subject to approval of Interstate Commerce Commission. This results from a series of conferences between railroad men and the National Automobile Chamber of Commerce, to work out a plan whereby some of this traffic (over 60% handled by truck-aways and drive-aways in 1930) can be regained.

The truck-aways have the advantage of store-door deliveries, whereas railroad shipments mean a loading and blocking charge variously estimated at \$5 to \$10 an automobile. Ford now is carrying out a plan of putting all dealer deliveries from branch assembly plants on a truck-away basis, which eventually will take all his freight business on finished cars from railroads.

Automobile manufacturers are said to be not unfriendly to the railroads in their endeavor to meet the truck-away competition.

It is not likely truck-aways will disappear. Their usefulness already has been proved. But their volume of business may be reduced. Technically speaking, dealers can choose the method of transporting cars from factories to their places of business, but they usually bow to the wishes of factory executives. Private trucking firms have made agreements with automobile companies as contract carriers. Perhaps the longest route is from Detroit to Omaha, Neb.

### Wagner Bill No. 3 Passes Despite Administration

THE third and last of the famous Wagner Unemployment Bills passed the House Monday after an eleventh-hour substitute proposal offered by Secretary of Labor Doak was overwhelmingly defeated. Since Doak was reported in favor of the bill before he became a cabinet member, his attempted substitution is taken as an indication the President disapproves the bill. But in view of the present emergency and the great demand for uniform and organized employment service, a veto is not considered likely.

The bill, which has been before Congress for 3 years, sets up a United States Employment Service in the Department of Labor. It is to establish and maintain a national system of employment offices in cooperation with states. For the remainder of this fiscal

year \$1.5 millions have been appropriated; \$4 millions for the next 3 years. Of this fund 75% will be apportioned among the states on a 50-50 basis, like Federal Aid Highway Funds. Strictly federal agencies may be installed in states having no state system (this feature was eliminated in the Doak substitute bill). Employers have been unenthusiastic, fearing any federal employment agency would be union-dominated, particularly if an adjunct of the Labor Department.

### Employee Loans Mitigate Hardships During Layoff

THE importance of company loans to unemployed workers as a relief measure in the present emergency has led Industrial Relations Section, Princeton University, to make a survey of some of the plans now in use.

Late in 1926 General Electric Co. adopted a Relief and Loan Plan by which employees who had been members of the Plan for 6 months and out of work for 2 weeks could borrow up to \$200, \$20 a week, without interest and payable after re-employment. In the company's recently announced unemployment insurance plan, a loan provision is included. Up to 27% of the reserve fund may be loaned.

International Harvester Co. adopted a loan plan last October. It is open to employees laid off but who are expected to be re-employed, and to part-time workers getting less than 36 hours' work a week. The amount of loans, their number, and repayment schedules are determined individually.

The Southern Pacific Co. adopted a joint plan last December. Voluntary payroll contributions of 1% are made by officials and employees who desire to do so; this sum is matched by the company. Payroll deductions continue for 6 months, if conditions warrant. Details of loans are individually determined.

General Tire & Rubber Co. recently declared an extra dividend, half of which went to stockholders, the other half started a reserve fund which will be used to stimulate buying in off-seasons so that plant operations and employment may be regularized. In connection with this plan is an employee loan plan as a second line of defense against unemployment.

Matthews Construction Co., I. L. Case Threshing Machine Co., United States Steel Corp. are other concerns mentioned in the report as having provided loans for employees.



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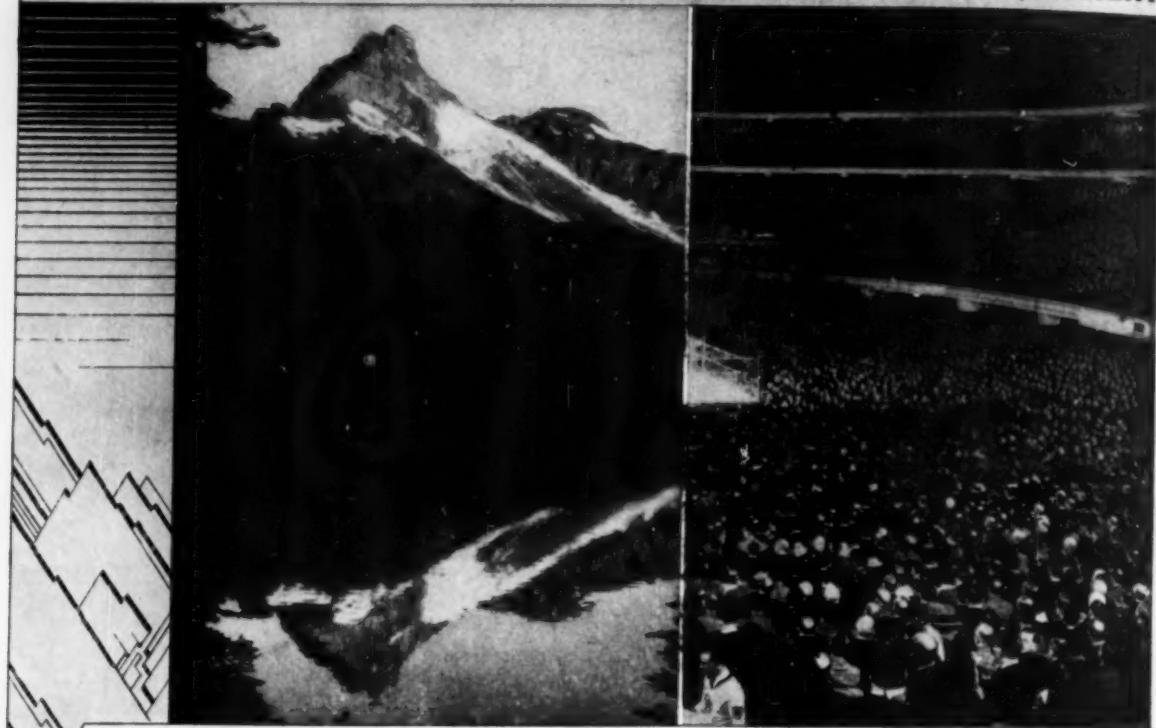
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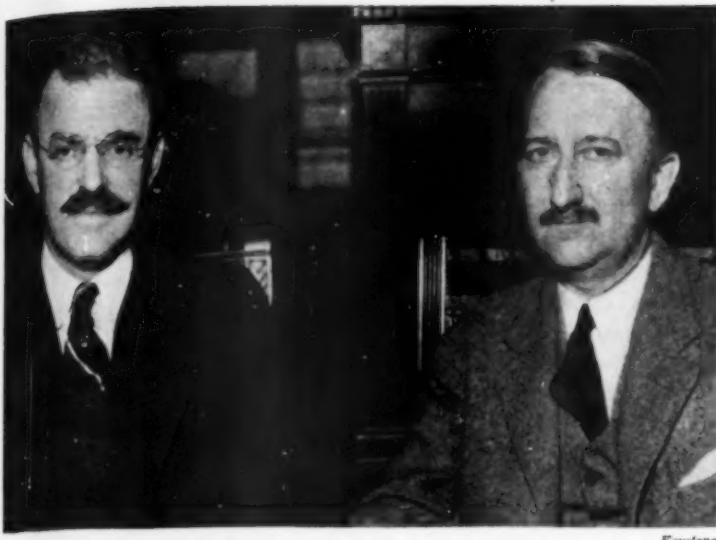
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#### DISCUSS GRAIN FUTURES

*Herbert L. Rodman, president of the New York Produce Exchange (left), and Axel Hansen, chairman of the Grain Futures Committee, at the meeting which passed an amendment permitting futures trading in Canadian wheat. The delivery point is Buffalo, New York*

## Europe Draws Lines Tighter Against the World Outside

### Paris Conference Talks About Grain But Thinks in Terms of Alliance for Trade Control

TWENTY-FOUR European countries, some exporters of farm products, others importers, are meeting in Paris this week to discuss a matter of great importance to the United States, Canada, Argentina, and Australia. None of these latter countries is represented, except by observers nervously hanging around the lobbies, even though some are members of the League of Nations, under whose auspices the meeting technically is called. The sessions will be behind closed doors, and though Aristide Briand will welcome the delegates with a twinkle in his eye because he is responsible for their being there, even he will withdraw when the talk begins.

The immediate problem to be discussed is that of making arrangements for marketing in the industrial countries the carryover of grain from the large harvest of 1930 in the agricultural countries. This is expected to be the beginning of permanent arrangements between these two groups of countries for systematic cooperation in exchanging industrial and farm products, on the most favorable terms. If successful, the Briand idea will involve setting up concerted

marketing plans among the agricultural countries for controlling the European market and stabilizing grain prices. It will probably involve also devising an intricate strategy of tariffs and governmental import agencies so as to get around the most-favored-nation clauses of commercial treaties and permit the industrial countries to give preference to agricultural imports from European regions, and vice versa.

The result may be that outside exporters may find the European market severely restricted. The difficulties of the Farm Board, the Canadian and Australian wheat pools in disposing of their large carryovers may be increased.

European cooperation of this kind may forge a bargaining weapon with which to force concessions in American, Canadian, Argentine, or Australian markets for foreign products. At least the European industrial countries may be able to select such foreign sources for the grain and other farm products they need on a quid pro quo basis. More significant, Russia (not represented at the conference) may find her vast wheat exporting program foiled by a united

European front, such as has not been possible before.

Actually of course, there is no grain surplus in Europe, outside of Russia. The problem is one of effective distribution of what there is to the greatest advantage of both the industrial and the agricultural regions, and more or less incidentally to secure concerted control of the European market as against outsiders.

#### Tests "Solidarity"

That is why Briand, in opening the meeting, called it the first real test of the idea of European solidarity which he has been fostering during the past year. This large-scale test has been carefully cultivated out of small beginnings in the preliminary moves toward co-operation among some of the Danubian grain states months ago. If it is successful it may not only have immediate practical effects on the European market for American products, but it will be a long step toward realization of the French scheme for a United States of Europe as a political and economic counterweight to the original United States and the British Empire, and as a means of keeping the cement in the Versailles treaty from cracking.

One other move which is being tied up with the Paris meeting, though it has been under way separately, is of equal significance. This is the establishment of an international banking institution, under League auspices, side by side with the International Bank, to make long-term agricultural credit available to eastern European countries. This not only reflects the universal fact of collapse of agricultural credit, which, being mostly long-term or intermediate, has suffered along with all other industries from the general shortage of such credit, but more acutely; it also shows that where private facilities or even national governments are unable to meet credit needs, international governmental institutions may step in.

#### Governmental Action

This is simply an instance, on a much larger scale, of what has happened in this country with our drought relief loans, and in many others. It is a symptom of the drift to governmental, or even super-governmental, action where private efforts fail.

This new institution, if set up, may not be able to sell its securities in the capital markets; and France, where capital is most idle, may take advantage of the situation to supply the money and further consolidate her financial control



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over the eastern European countries, thus combining the League and international finance into a new weapon of diplomacy.

The whole thing may turn out to be only a new piece of French political strategy, like the agricultural conference itself; but its underlying economic significance should not be ignored.

### Britain Plans Farm Relief On a Local Control Basis

EUROPEAN NEWS BUREAU (Cable)—Whatever the questionable outcome of the Federal Farm Board and the Canadian Wheat Pool experiments, they have stirred an interest in Britain which may have concrete results in legislation planned to aid the British farmer.

Labor's agricultural policy is embodied in the Agricultural Marketing Bill, which has already passed a second reading in the House of Commons. Business believes eventually it will be defeated or abandoned unless drastic alterations make it less dictatorial.

The bill would allow producers of an agricultural product to regulate its marketing by means of boards elected by themselves and in accordance with schemes submitted by themselves. Regulation would be confined to products produced in the area to which each scheme is applicable, and would be binding on all producers of the regulated product in that area. Parliament has the opportunity of resolving in advance that any specific scheme shall not come into force.

### Handling the Money

Financing is provided. Parliament is to pay into an English fund sums not exceeding \$2½ millions, and into a Scottish fund sums not exceeding \$625,000. When a community sets up a board to control the marketing of a certain product, it can request a short-term loan, free of interest for 2 years. Within that time, it must be repaid or specially renewed.

If British farmers show any lack of initiative in entering into the scheme (they are notoriously bad salesmen), they are to be encouraged by a group of commissioners whose duty it will be to prepare marketing schemes for them. British farm products to which schemes may apply are cattle, milk, cheese, potatoes, hops, fruit, cereals, sheep, wool, pigs, poultry, and eggs.

Consumers are protected from any unjust price-fixing. A special con-

sumers' committee will be established for each special marketing project. It will be their duty to consider complaints concerning the effects of the scheme on consumers. On their motion, the Minister of Agriculture, in consultation with the Board of Trade, may revoke or modify any scheme.

The spirit of the bill is permissive. It contains a certain compulsory element, but until it has been tried out, it is impossible to say how large the element of compulsion will be.

#### Too Many Committees?

Business reaction, where there is any, is satisfied with the plan for cooperative action among the farmers, but questions how soon and how valuable any relief measures are likely to be which can become operative only after the setting up of such a maze of committees. Producers and distributors, familiar with free enterprise, are likely, for at least a generation, to be hampered and not helped by a system of control committees. Labor supporters declare it will add from \$500 millions to \$1½ billions to the amount now received by the British farmers for their products, through the provision of new markets and better prices by more careful product grading. The majority of the country's farmers are opposed to the bill on the grounds that it is unfair to "regulate" their produce without first controlling the agricultural imports which supply 46 weeks of the country's food consumption during the year.

#### Britain's O. K. Sets Up Tin Restriction Plan

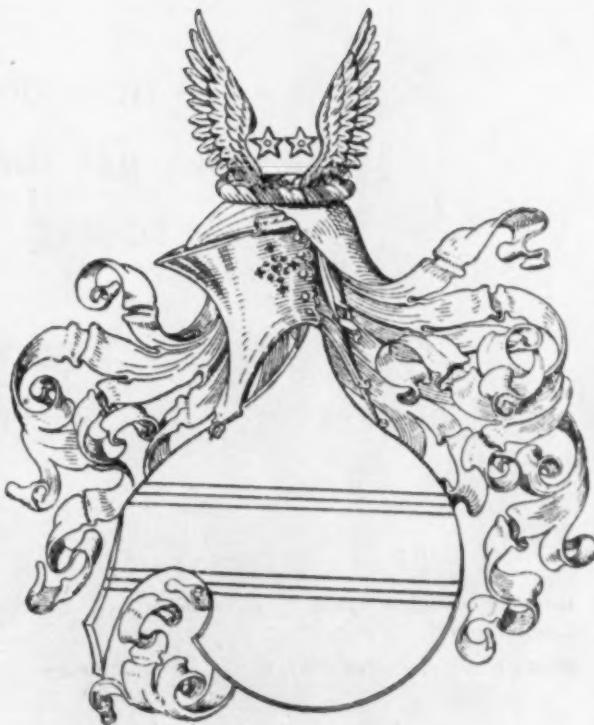
STAMPED with the British government's O. K., the international tin restriction plan (*The Business Week*, Jan. 7) is now ready to be set in motion.

Bolivia and the Dutch East Indies had approved the scheme some time before. Malaya and Nigeria, the other 2 parties to the plan, have waited until now for London's sanction to pass legislation regulating the production and export of tin.

In signifying its approval, the British government demands that the consumer be protected against excessive prices through control of the restriction scheme by a committee representing the 4 participating governments.

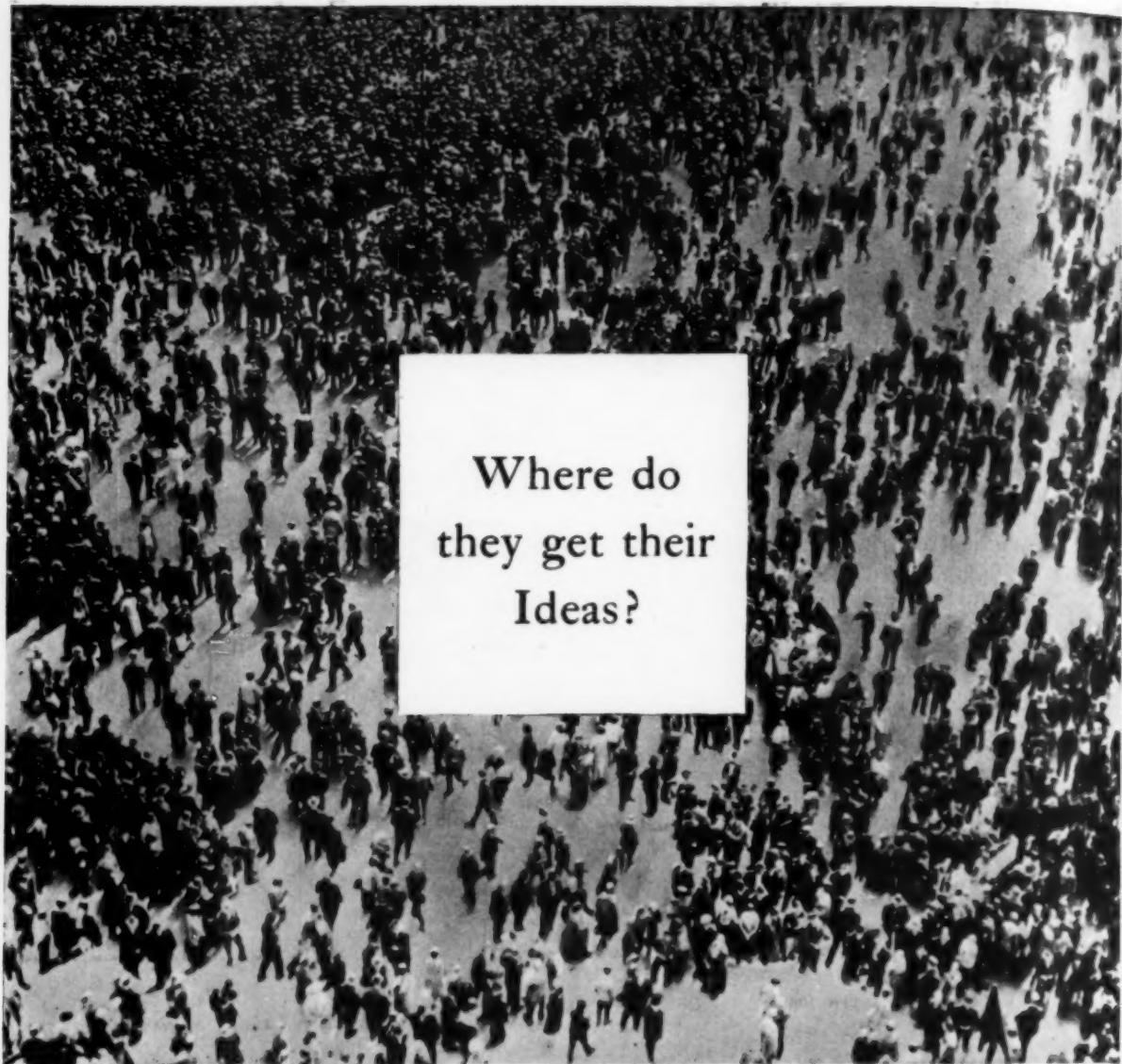
The plan is to become effective March 1 and stay in force until the end of 1932. The output of tin this year is expected to be 145,000 long tons, as against over 150,000 in 1930.

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# Swift Survey of Business Abroad

## EUROPE

EUROPEAN NEWS BUREAU (*Radio*)—Conditions reflect a broader upward movement than at any time since the depression began. Previously uncertain commodity price movements are now converging in an advance upon a wide front. Stock markets, after marking time at somewhat below previously established highs, have been more buoyant in the last 10 days. Sterling is steadier. There is a rumor that the French bank rate may be further lowered. This would tend both to consolidate the improvement on the exchanges and to accelerate exports of French capital.

Unemployment appears to be close to, if not already to have reached, the midwinter peak. Declines in some trades already have begun, particularly in Germany. Overseas reports likewise are more favorable, notably in Australia, India, South Africa, and Argentina, while much encouragement is being derived from the better trend in the United States. Political conditions are quiet, and the unexpected possibility has arisen of British mediation to compose Franco-Italian naval differences.

## Commodity Prices Rising

Rising prices and expanding volume in the majority of commodity markets are the feature of the week. This is particularly true in non-ferrous metals and textiles. Confidence that raw materials have definitely bottomed has perceptibly widened and strengthened. Industry, even failing an appreciable increase in immediate demand, is beginning to reconstitute raw material stocks which have been allowed to decline to bare hand-to-mouth levels. In the case of some industries, notably those producing staple consumables, better activity is already reported. In other groups, improvement, if still more sporadic than general, nevertheless is beginning to multiply. In still other cases, the technical position of the commodity proper has improved, notably tin, following governmental approvals on production restriction agreements. Tin prices in London soared during the week, bringing the total gain during the month to 10%. It is notable that the general commodity movement appears as much basic as seasonal.

Iron and steel continues to be the outstanding exception to this better trend, and it is expected that the coming cartel meeting in Paris in May will

even further reduce March quotas. This lag is not surprising when it is considered that the metallurgical industries sustained prices longest due, partly, to the fact that production was longest sustained after the depression began. The current revival will probably find its first expression in consumable goods to meet the requirements of the individual, wherein iron and steel, in Europe, play a lesser part than in the United States due, among other reasons, to a subordination of the automotive factor in Europe.

## Textiles in the Lead

According to present indications textiles will lead in the revival. Economists point to wool. England, Germany, and France are actively buying, prices are fully sustaining the recent recovery, which is further contributing to the alleviation of economic distress in Australia. Both England and Germany are reported ready to take up larger quantities of cotton, but are meeting with a shortage of offerings. German spinners are reported attempting to buy even into the third quarter.

In England, the recent lockout in the weaving mills has had at least the beneficial effect of reducing stocks, while the termination of the lockout and, coincidentally, development of better demand may now pave the way to a distinct revival. Hopeful anticipations are further encouraged by the better inquiry from many overseas markets, particularly India. Some substantial contracts were placed in India this week. Bazaar traders are reported anxious to discontinue the boycott, over which conversations are now progressing between Gandhi and the British viceroy. Silk is strong on continued American demand, and rayon has maintained a fair volume. Jute is tending to rise, following the decision of the Indian mills to reduce Hessian output 24%.

Financial conditions are rather featureless. The only notable change is the growing scarcity of funds in London attributed to recent uneasiness over sterling and reductions of foreign balances in London as well as the exodus of British capital. Rates tended to break over 3%. The plethoric conditions in France and acute scarcity in Germany are unchanged. Conversations between French and British Treasury officials have been resumed and give rise to the rumor that the French bank rate may

be further reduced below 2%. Even if only transiently effected, this would greatly steady sterling, promote the export of French funds, relax and equalize monetary conditions generally.

Conversion operations are proceeding all over Europe, but new capital issues are still largely held in abeyance. If the incipient commercial improvement already noted can be maintained, it will tend to revive investment confidence which was beginning to take heart during January but retreated into its shell following Snowden's pessimistic financial statement in England and unfavorable political developments on the Continent.

Conditions in Spain are the only exception to the general political relaxation. *The Business Week's* Madrid correspondent cables that the country is quiet again following the recent kaleidoscopic changes. Business, being itself largely monarchial, welcomes the new monarchistic Aznar cabinet, which is composed of experienced politicians with a sprinkling of financiers, and does not object to its semidictatorial character since it is considered the only possible form of strong government under immediate conditions. It is believed a period of relative tranquillity now will follow. Leading securities have strongly reacted upward, and the peseta is recovering its initial depreciation.

## Spanish Crisis "Shelved"

Parliamentary elections, originally scheduled for March, then cancelled, are now again posted for June. The powers of Parliament, however, are to remain within the limits of the constitution of 1876. The European press views the Spanish political crisis merely as shelved. It considers the cleavage between Monarchists and Republicans only deepened, with less room for compromise now. There remains an eventual choice between 2 unavoidable evils: (1) the return of a full military dictatorship; (2) a Republican revolution. Critics are skeptical whether the Aznar cabinet can endure, since it is divided within itself between Monarchial and Liberal elements.

The European grain conference of 24 countries held in Paris resulted in an agreement, signed by 16, for disposal of the wheat surplus of Central and Eastern Europe (page 35).

These surpluses are found to consist

chiefly of corn and barley, rather than wheat. The Eastern European representatives are seeking to establish the principle of preferential treatment of European agricultural products in European markets but they are meeting with considerable resistance, notably from England. It is timely to note that both Germany and France are expected soon to be forced into the wheat market due to rapid depletion of their own stocks. Moreover, the French crop outlook is exceptionally poor. The general wheat position is stronger, since reductions are announced in the Argentine and Australian preliminary estimates, while Russia is reported to be loading less wheat but more barley and rye.

An international conference has opened in Geneva to establish means to unify continental laws and practices governing checks. A similar conference last June drafted an international convention regarding bills of exchange and promissory notes. The present convention is divided into 3 parts: one, defining the instrument; the second, attempting to reconcile conflicts in existing law; third, governing stamp duties.

## British Stringency Gives Way to Optimism

**LONDON (By Cable)**—Actual business is quiet but there is a better tone, partly engendered, no doubt, by the success of the British Industries Fair and the cotton and rayon exhibitions. The end of the cotton stoppage, coinciding with better reports from India, has given a perceptible stimulus to Lancashire. Raw cotton values are up 15 points, and wool prices have maintained a better level. Wheat, sugar, cotton, jute, linseed oil, and all metals advanced. The stock markets, after a depressed week, brightened Monday, with gilded leading.

Stock market feeling is affected by 3 factors: brighter prospects in Wall Street, reaction from political scares, and the advance in metals and basic commodities with renewed confidence that the slump is on the mend. Sterling has followed stock markets by a sudden recovery after a depressed week, with bank efforts to keep money rates above Paris and the United States still prevailing.

Announcement of the government's approval of the tin quota scheme (page 37) stimulated turnover Friday to 1000 tons, but unsettlement on the metal exchange developed after the weekend cut in the eastern price of tin and further



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**CASABLANCA, PORT OF MOROCCO**  
*Casablanca is 5 times as big as it was in 1916, with a total trade of \$98 millions (1929), more than \$6½ millions with the United States. Cork—the large bales in the center—is the important export*

inflation of the price of standard copper.

Preliminary announcement of the Cosach scheme is regarded favorably, but uncertainty prevails concerning the possible call for new capital for the scheme requiring that the company finance itself from profits with continuing bank facilities. It is expected that London or New York will lend \$45 millions. Financing obviously is necessary to supplement accumulated profits and meet claims of the Chilian government, but details are lacking. Anxiety is displayed that finance plans shall not disturb Anglo-American amity as recent Brazil operations are suspected of doing.

### Warehousing Profits Down

There is further evidence of Britain's trade position in results from 10 warehousing companies all showing reduced net profits. Two actually show an adverse balance; 6 others reduced dividends; 1 passed its dividend.

Pig iron production fell to 337,000 tons in January against 350,000 in December, but 9 blast furnaces resumed operations making the total 83. Steel production, following the holidays, rose to 402,000 tons against 337,200 in December, but this is a reduction of 369,000 tons over the previous January. Unemployment in this branch of industry was 45.2% in January against 50.6% in December. The balance of steel imports over exports was 54,400 against 54,600 in December, though

exports declined 2000 tons. Imports of pig-iron were the lowest since August at 22,100 tons.

The Iron and Steel Manufacturers Association, at its annual meeting, clamored for a tariff refused by the Labor government but promised by the Tory leader, Neville Chamberlain, as a first step if returned. All business is still baffled by the political situation.

Labor is split more definitely on the Mosley campaign for development loans and import boards. The political position is thus in flux and nothing is certain but increased taxation in the April budget with tobacco, drinks, and petrol expected to be the main sufferers of indirect taxation. Fear of an increase in the supertax is driving money from Britain and the Bovril Company anticipates re-registration in Argentine to escape a double income tax. The public is not perturbed, but the City realizes the flight from the pound has already started, hence financiers are less optimistic than business men.

## French Competitive Ability Mired in Inflation Bog

**PARIS (By Radio)**—Conditions momentarily are featureless. Business reports continue to stress high prices, wages, and taxes resulting in high production and operating costs and a consequent increase in foreign competition on the domestic market and the loss of competitive ability abroad. January trade

figures confirm this trend. Imports of manufactured products, with a loss of \$6 millions compared with a year ago, show the least decline of any category, whereas exports of manufactures are down \$27 millions, the largest single category loss. Luxury trades, naturally, are particularly affected but so are the key industries—coal, metallurgical, and chemical. Several branches of the textile industry report steady disintegration. Efforts to reduce coal wages in the face of present inflated living costs have called forth the threat of a general miners' strike and occasioned government intervention.

Banks are restricting credit and allowing no overdrafts, even to first-class houses unless collaterally secured. For the first time in years, Kuhlmann, the largest chemical firm, has passed its midyear extra dividend.

Palmolive is reported to be negotiating for the purchase of the Cadum Soap Co. of France. The deal is said to involve \$6 millions. Cadum originally was founded by Winburn, an American advertising man, 20 years ago. He also was associated with the Omega Oil company. From a 1-room business, he built Cadum into a company now selling 3 million cakes of soap monthly in France alone.

## German Tariff Increases Threaten Foreign Trade

**BERLIN (By Cable)**—The business tone is uncertain and trade and industry are doubtful whether the signs of stabilization, noticeable since the beginning of February, mean the turning of the tide or merely a temporary halt of the depression slope. The outstanding feature of the German situation is the complete lack of seasonal relaxation of the money market both call and time rates remaining practically unchanged since the year end.

Foreign exchange rates continue to oscillate dangerously near the export gold points, indicating that the fresh inflow of foreign funds which was expected after the consummation of the French credit, has not materialized.

Unemployment on Feb. 15 totaled 4,991,000. The increase during the first half of the month was 97,000, almost exclusively in the seasonal trades. The percentage of unemployed trade union members rose in January from 31.8% to 34.5%, members working on short time rose from 16.3% to 18.8%. It is interesting that this increase at this time is confined almost exclusively to

seasonal trades, while the non-seasonal group is practically unchanged. For the first time, some trades show improved employment, including the glass, leather, foodstuffs, and hat industries. Basic indicators, including coal output, steel production, and car-loadings continued their slow decline last week.

### Would Extend Flexibility

The most striking feature of the new agrarian program was the decision by the Cabinet to ask the Reichstag for general authorization to raise import duties without consulting Parliament, thus generalizing on the flexible tariff system now confined to grain and livestock. Other important features include: (1) a "national planting plan" purposing further reduction of rye and oats acreage and an increase in wheat and barley, the plan to be carried merely by the voluntary cooperation of farmers without compulsory measures; (2) rationalization and improvement of sales methods in disposing of farm products (for this there will be special credit facilities to farmers' cooperatives); (3) revision of the bread act in view of further raising the consumption of rye at the expense of wheat; (4) preference given in all public construction to domestic timber.

The Acting Minister of Trade and Commerce has published a warning of the detrimental influence which further tariff increases are bound to exercise on German manufactured exports: Italy and Spain are likely to retaliate with an increase on fruit import duties (agrarian extremists even advocate a fruit import monopoly); the Scandinavian countries and Holland are bound to oppose higher duties on meat, eggs and butter; while Austria and Finland are unlikely to agree to higher timber duties unless allowed a liberal import contingent at the old rate corresponding to present actual imports. The National Manufacturers Association, while fully acknowledging the necessity to help distressed agriculture, also protests against excesses of agrarian protectionism, points out that this move neutralizes government action for price reduction, and by provoking retaliation of foreign countries against German exports may increase unemployment.

Interest still is centered in the current dividend declarations. The Winter-  
shall cut from 12% to 8% caused heavy disappointment. It was totally unexpected since potash sales in 1930 were only 3% down. The cut therefore must have been motivated mainly as a precaution in view of bad business dur-

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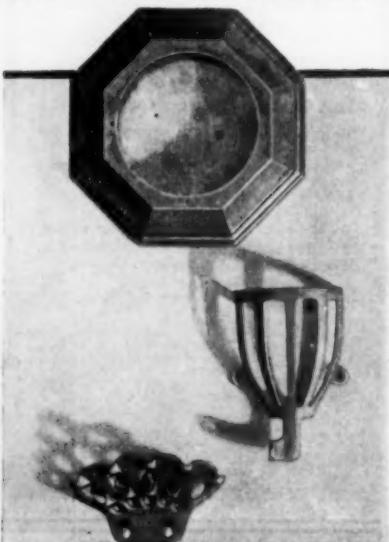
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ing the first months of the present year. The dismay of shareholders was increased when Burbach, second largest potash concern, maintained last year's 12% rate. Berliner Handelsgesellschaft, which ranks next to the "Big Four" banks, also cut its dividend from 12% to 8% which is considered symptomatical, since the larger banks have been negotiating informally regarding a uniform dividend policy. In striking contrast with distressed shipyards, Deutsche Werft, of Hamburg, has maintained an 8% dividend. The company is controlled by Hapag and AEG which ensures good employment. Orders for motor tankships, in which it specializes, secure satisfactory employment up to the end of the current year. Hapag-Lloyd will either pass its dividend altogether or pay only a bonus of 6%.

### Dividend Changes

According to private estimates, the average dividend of 104 German companies is already declared dropped from 9% in 1929 to 7.8% in 1930. If breweries and mortgage banks, known for the stability of their dividends, are eliminated, the reduction from 7.2% to 5½% is a fairly satisfactory result considering the severity of the depression.

The German Ford company maintained its 10% dividend though sales increased 23%, and net earnings 50%. This sales increase is a remarkable achievement considering that total sales of automobiles, both domestic and foreign, were down 40%. The report states that the Cologne plant will be ready for assembly in April; the first 100% German Ford can be expected in May.

German shipping is on the eve of a new and important step toward consolidation. Negotiations are under way concerning a working, possibly a pooling, agreement between the Hapag-Lloyd union and the Hamburg-Sudamerika Line, eventually resulting in the complete unification of all steamship services from Hamburg and Bremen to South America.

Figures for sales in the retail trade, now available for the past year, show a 9% decline in the total. Independents are the main sufferers, while cooperatives are down only 1.3%. Department store sales fell off 6.3%.

Twenty delegates representing Germany's largest metallurgical industries have left for Moscow to negotiate a closer trade agreement with the Soviets. German business attaches vast significance to the conference.

## Lower Dividends, Strict Economy Features in Italy

**MILAN** (*By Cable*)—The moderate optimism reported 2 weeks ago continues but is unsupported by definite proofs. Some observers are pessimistic but at least they are certain that weak companies have been eliminated and that those left can survive. Bourses generally are firm.

The treasury deficit for January was \$4,720,000; the monthly average since July, \$8,290,000. The total deficit from July 1 to January 31 was \$54,600,000. It is hoped that by June 30 increasing income will leave the deficit for the fiscal year at only \$20 millions.

In 1930 Credito Italiano absorbed the Banca Nazionale di Credito, announcing it would do only regular banking, thus leaving investments and financing to other banks. Lately, the big drop in Banca Nazionale shares is said to be caused by the selling of Credito, which desires a more liquid position. Perhaps Banca Nazionale will be entirely liquidated and its holdings transferred to new companies.

The number of unemployed totaled 642,169 on December 31; 721,976 on January 31. Of this number 180,494 are on the dole. The value of Italian imports in January was \$54 millions, exports \$36½ millions. These figures compare with imports in January 1930 of \$79 millions and exports of \$51 millions. This showing is good because the deficit is less than last year and imports have been reduced, although it will be necessary to import much more wheat before the 1931 crop is available.

The Fiat dividend of 9% compares with 12½% last year. Pirelli dropped from 11% to 10%, and DeAngeli Fru, cotton manufacturers, from 30% to 26% this year. Italian Superpower has sold its holdings in 2 electrical and 1 aqueduct company to the European Electrical Corporation.

## Conflicting Trends Mark Latin American Business

CONTRASTING trends are developing in Latin America. The revolutions in Peru and Paraguay and fresh threats from Uruguay, are more than balanced by encouraging reports from Argentina and better prospects for improved business in Colombia and Mexico.

Though Americans doing business with Peru look on the current uprising as something serious, they do not admit that it can make the business outlook

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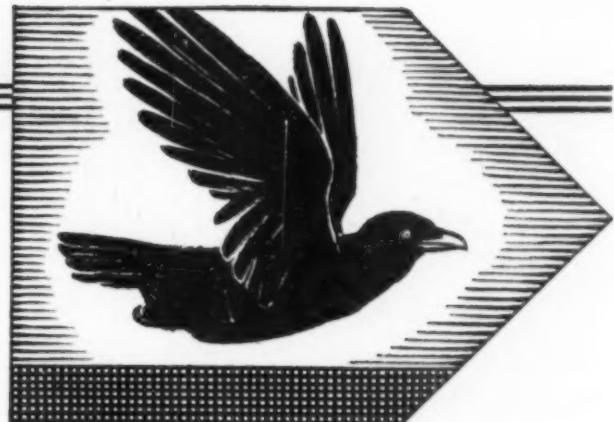
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much worse than it has been all winter.

In Mexico, exchange is improving. At a recent meeting in Mexico City, government officials studied a program of national economy which, if carried out, will inaugurate a sound policy of national reconstruction. A permanent National Economic Council will be formed to meet every 10 days and deliberate on economic problems and advise government departments.

Agitation in Cuba for a central bank and the issue of a national currency is not viewed outside the country as a particularly stabilizing move. Action is not expected for months, possibly years.

## Brisk Cotton Business Brightens Japanese Trend

RENEWED interest in raw silk on the American market and continued increasing activity in the cotton textile industry has improved the outlook in Japan.

Kanegafuchi Spinning Co. shares moved ahead 6 points on the week ending Feb. 25. The price of cotton yarn reflected the stimulus in the industry by increasing 7 points. Silk and cotton both reflected smaller, but significant, gains.

Foreign trade for the second 10 days in February showed an unfavorable balance of only \$1 $\frac{1}{2}$  millions. Cotton accounted for more than \$4 $\frac{1}{2}$  millions of the \$16 $\frac{1}{2}$  millions of imports. Of exports totaling \$15 millions, raw silk accounted for \$4 $\frac{1}{2}$  millions, cotton cloth for more than \$3 millions.

Final foreign trade figures for January, including the Colonies, record imports of \$56 millions, exports of \$54 millions. Though the balance is unfavorable, the import excess declined nearly \$22 millions on the figure for January, 1930.

The Japanese budget has been passed by the House of Representatives. A trade union bill has been introduced in the Diet. The purpose of the bill is to legalize unions, which, though tolerated now, have no legal status. There are only about 340,000 union workmen in Japan out of 5 million industrial workers.

On Feb. 15, the commodities index touched 139.90 for the first time since the gold embargo was removed in January, 1930. Due to depleted stocks, more profitable operations in recent months, and to the desire to relieve unemployment, the system of curtailed operations in the textile mills is to be eased after April 1.

# Lack of Skilled Workers Weakens Threat of Russian Competition

## Production Shortages of Last Quarter Show

### Where the 5-Year Plan May Fall Down

THOUGH all the world is watching Russia's Five-Year Plan for the first sign of a breakdown, small notice has been given to recent production figures released from Moscow and made the basis for scathing attacks by the Soviet's super self-critical press.

The October-December quarter was an "odd" quarter in the shift from the old to the new fiscal year. In several categories production failed to come up to output prescribed in the Plan. The official figures tell the story:

	Output Oct.-Dec.	Plan Oct.-Dec.
	1930	1930
Coal (millions metric tons)	12.79	21.27
Oil (millions metric tons)	5.27	5.30
Iron ore (millions metric tons)	2.73	3.63
Steel (millions metric tons)	1.46	1.80
Industrial machine building (millions rubles)	723.2	—
Agricultural machine building (millions rubles)	82.5	139
Cotton cloth (millions meters)	602	662
Output of large-scale industry (billions rubles)	4.46	5.03
Output of central power plants (millions kwh.)	1,235	1,400
Average daily car loadings (thousands)	46.5	—

American engineers are attaching special significance to the figures. Russia is 2 years along on the Five-Year Plan. Quotas have been so far exceeded in building output, and schedules so vastly speeded up that the Plan has been greatly enlarged, and now Stalin is attempting to complete it in 4 years instead of the original 5.

#### A Different Problem

So far, it has been largely a matter of purchasing and building. Putting up buildings is not as impossible a task to the untrained as running intricate machines, keeping them in order, maintaining employee morale. The enthusiasm of "shock" brigades is seldom spent on one building project before something new turns up to rekindle interest. Not so in the factories where machines require the care of skilled workmen. Attention must be steady. In a country where so few men are trained mechan-

ics, labor turnover becomes a special problem.

Not a few close observers have declared the Soviets will run into almost insurmountable difficulties when they attempt to operate the vast projects now nearly built or still scheduled. The pessimistic look at the quarter's deficiencies and say the difficulties have already begun.

Counter-moves from Moscow indicate a certain acceptance of this weakness, but just as determined plans to overcome it. Not only are more than 1,000 Americans already in Russia as technical assistants in the new industrialization of the country; there are nearly 3,000 others—Germans, British, Swedes, Italians, Austrians, Japanese. To this number are to be added 13,000 engineers and skilled workers—2,000 of whom are likely to be Americans. Vast unemployment in the countries which are the main sources of skilled workmen—Great Britain, Germany, and the United States—favors the Russian program.

#### Plans Admittedly Inadequate

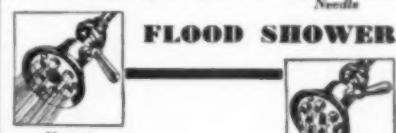
Within Russia, plans to supply men for the new scheme are admittedly inadequate. *Pravda*, Moscow daily, on Dec. 12 last, reported that Russia would need for the fulfilment of the Plan, by the end of 1933, 144,000 engineers, 233,000 technicians, and 650,000 skilled workmen for state industries. The same report declares that higher polytechnical institutions could turn out during this period only 50,000 engineers, 38% of the total needed. Technical schools of middle grade can not turn out more than 63,000 technicians, while the various trade and factory schools in 1930 had enrolled only about 300,000 students.

To the executive who has been led to fear the seriousness of Russian industrial competition in the next few years, there is reassurance in the unsatisfactory production results of the last quarter and the shortage of skilled supervisors. Facts concerning difficulties as well as accomplishments of the Soviet in carrying out the Five-Year Plan are conducive to more rational reaction in this country.

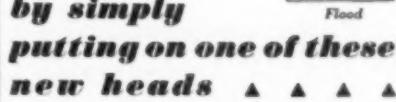


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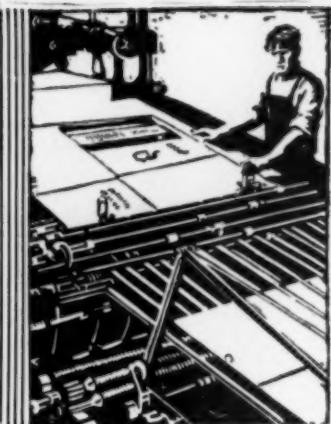
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# RESOURCE BOND



### German Railway Chokes Trucks Into 30-Mile Limit

EUROPEAN NEWS BUREAU (Cable)—Germany is faced with a new monopoly. The Reichsbahn (German State Railway Co.) has signed a contract with the Schenker Co., one of the country's large freight forwarding firms, granting it a virtual monopoly on freight collection and delivery services.

Important to the motor transport industry is the ban it places on motor freight transport. Forwarding firms, admitted as sub-agents to Schenker in the new service, are forbidden to transport goods by truck beyond a 30-mile zone without the special permit of the Reichsbahn; when shipping by truck, they must charge the minimum railway freight rates; and, when shipping by truck with permission of the Reichsbahn beyond the 30-mile zone, they must pay the latter a license fee.

#### For Decisive Blow

State Railway authorities admit their intention to strike a decisive blow against motor transport competition. Sole hope of the motor fleets is the exasperation of the federal government. The Reichstag looks at the move as a violation of its supervisory rights. Critics declare that cancellation of the contract is improbable, though the government is likely to exercise rights of supervision due to the monopolistic character of the contract.

According to preliminary calculations, the new arrangement is equivalent to a saving to shippers of 40% to 70% in collection and delivery charges and of 10% to 20% of total transportation cost, according to distance. Apparently the Reichsbahn is not shrinking at serious money sacrifices, for it will pay the new monopoly forwarding agents higher collection and delivery rates (cost plus 10% profit) than it will charge customers through rates.

#### Manufacturers Disturbed

The National Manufacturers Association, while acknowledging the advantages offered shippers and business in general by the lower house-to-house rates, objects to the monopoly because it excludes the majority of forwarding firms, except as sub-partners of Schenker. The association stresses that business is interested in the maintenance of an independent forwarding trade, using all modes of transport. They believe that the all-important problem of railroad versus motor transport cannot be settled by this arbitrary action.

# What the Figures Show

THE surprising activity in the stock market during the past few weeks finds little explanation in the underlying state of trade and production. Though seasonal advances are evident in steel, automobile, building, and car loadings, the price situation in most commodities is still untested and too uncertain to warrant more than gradual improvement in major lines of business. The adjusted index of general business activity compiled by *The Business Week* continues to hover around 22% below normal contrasted with a level about 10% below normal a year ago.

## Steel Demand Increases

A gradual increase in demand for raw steel from the automotive, railroad, and construction industries has necessitated over a 50% operating rate in the plants both of the U. S. Steel Corp. and of independent operators. Dow, Jones estimates that the industry operated at better than 52% of capacity for the week ending Feb. 23 against over 50% the preceding week. The present rate is the highest since October, 1930, when the anticipated fall revival failed to materialize, sending the operating rate rapidly downward from the September peak of 60%. Our adjusted index of steel ingot production for the latest week has moved upward from 63% of normal to 66%.

According to the *Iron Age*, the purchases of steel from automotive centers are largest since last September. Estimates of car production continue to be revised upward. January estimates running around 184,000 units proved somewhat higher than the actual output revealed. The government tabulation indicates a production of 171,903 vehicles, an increase of 16,197 over December. This output represents a 37% decline from a year ago. While production increased 10% over December, registration of vehicles in 30 states showed a 23% increase over December and a 22% decline from a year ago.

## Orders Accumulating

Though buyers are still cautious, steel orders are accumulating with frequency, though not notable for size. Structural requirements appear promising in view of large public works contracts. The 1931 road program is now believed to require some 500,000 tons of steel. Structural awards totaled 55,000 tons, the second largest week of the year. Pipe line requirements show

	<u>Latest Week</u>	<u>Preceding Week</u>	<u>Year Ago</u>
<b>THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY.....</b>	<b>*78.2</b>	<b>†78.4</b>	<b>90.7</b>
<b>Production</b>			
Steel Mill Operation (% capacity).....	52	50	80
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis).....		\$9,445	\$10,461
Bituminous Coal (daily average, 1,000 tons).....	*1,368	1,306	1,704
Petroleum (daily average, 1,000 bbls.).....	2,165	2,128	2,722
Total Electric Power (millions K. W. H.).....	1,680	1,676	1,742
<b>Trade</b>			
Car Loadings (daily average, all classes, 1,000 cars).....	120	120	149
Check Payments (outside N. Y. City, millions).....	\$4,309	\$3,944	\$5,955
Money in Circulation (daily average, millions).....	\$4,590	\$4,605	\$4,551
Wheat Receipts (1,000 bushels).....	7,698	7,762	4,732
Cotton Receipts (1,000 bales).....	157	165	137
Cattle Receipts (1,000 head).....	*148	151	160
Hog Receipts (1,000 head).....	*605	†673	631
Wool Receipts (1,000 lbs.).....	8,494	1,898	3,662
<b>Prices (Average for the Week)</b>			
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$ .69	\$ .69	\$1.12
Cotton (middling, New York, lb.).....	.111	\$ .109	\$ .155
Iron and Steel ("Steel" composite, ton).....	\$31.61	\$31.61	\$35.24
Copper (electrolytic, lb.) f. o. b. refinery.....	\$ .100	\$ .098	\$ .178
All Commodities (Fisher's Index, 1926-100).....	75.8	76.3	92.2
<b>Finance</b>			
Total Loans and Discounts, Federal Reserve reporting member banks (millions).....	\$15,494	\$15,605	\$16,519
Commercial Loans, Federal Reserve reporting member banks (millions).....	\$8,169	\$8,286	\$8,850
Brokers' Loans, New York Federal Reserve member banks (millions).....	\$1,798	\$1,772	\$3,489
Federal Reserve System Ratio.....	84.1	84.0	78.8
Stocks Sold (N. Y. Stock Exchange, 1,000 shares) N. Y. Times.....	18,754	17,431	16,797
Stock Prices (N. Y. Times, average 50 stocks).....	\$165.10	\$161.96	\$222.81
Bonds Sold (N. Y. Stock Exchange, par value, thousands).....	\$47,006	\$42,364	\$49,286
Bond Prices (Dow, Jones, average 40 bonds).....	\$96.26	\$96.28	\$93.85
Interest Rates—Call Loans (daily average).....	1.5	1.5	4.4
Interest Rates—Time Loans (daily average).....	1½	1½	4½
Business Failures (Dun, number).....	722	534	585

\*Preliminary    †Revised

considerable prospective volume, totaling over 200,000 tons. Tin plate operations now average 75% of capacity compared with 70% the preceding week, while railroad requirements are adding to the activity of the Chicago district.

The trend in building during the third week of February remains an unknown factor until after the publication of the second of the tri-monthly reports of the F. W. Dodge Corp. For the purpose of the index, an estimate has been made to represent the series, but since the past is but a poor guide to the weekly fluctuations of construction,

it seems best to await the actual data before reporting an adjusted figure.

Bituminous coal production took a spurt upward during the week of Feb. 14. Since the general trend of coal production is downward in the early months of the year, the adjusted figure shows a sharp rise for the week, from 61% of normal to 65%. Production is apparently being held in close correspondence with demand, since shipments as reported by the American Railway Association follow the general trend of production. A 5% rise in production for the week was followed by a 6.8% rise in shipments.

Since the observance of Washington's Birthday did not fall in the third week of February this year, the electric power output showed a slight increase for the week instead of a decline. The expansion was so slight that the adjusted index remains at 89% of normal. Compared with a year ago, power output is 3.6% less, though compared with 1929, the decline is fractionally over 1%. A margin of 7.7% occurs over the 1928 figures for the week. The stability of the adjusted figures would indicate that there has been little change in industrial activity over January.

### Coal Shipments

The rise in the shipments of coal, which exceeded that of the first week of February by nearly 9,500 cars, partially offset the decline in 5 out of 8 commodity groups and caused total shipments as measured by car loadings to rise by some 1,600 cars. A sharp drop in the two major classifications indicative of trade activity, caused a decline in our adjusted index from 76% of normal to 73%. Total loadings of the first seven weeks of 1931 run 18% behind the corresponding period of 1930 and 23% behind 1929. Of the individual groups, the largest declines compared with the past two years occur in ore and forest products, (over 34%), followed in order by coal and coke (over 21%), miscellaneous (over 20%), merchandise less-than-carlot (over 11%), livestock (over 9%), and grain products (over 4%). Each group showed a more unfavorable comparison with the seven week period of 1929 than with 1930. The particularly large declines in ore and forest products indicate the reduced requirements of industrial concerns and the construction industries.

An increase of 9% for the week in the volume of check payments in 140 cities outside of New York is not more than to be expected after the mid-monthly settlements of trade and wage accounts. The increase is as normal as last week's sharp decrease. Our adjusted figures for Feb. 18, averaged with the index of the preceding week, declined to 81% of normal against 84% the preceding week which was influenced by the large volume of checks of Feb. 4.

The average daily volume of money in circulation declined slightly during the week of Feb. 21, following the trend of 1930 and 1925 more closely than the intervening years. Our adjusted index, revised for a 1.6% decline in the cost of living between December and January, remains at 110% of normal for the third consecutive week.

The composite price indexes continue to show a decline, though the rate of decline appears to be lessening, according to the January report of the U. S. Bureau of Labor Statistics. The decline from December to January totalled 1 $\frac{1}{2}$ %, that between November and December 2 $\frac{1}{2}$ %, and that between October and November over 2 $\frac{1}{2}$ %. Retail food prices declined 3% from December and are 14 $\frac{1}{2}$ % below January, 1930. Since January there has been considerable strengthening in prices of individual commodities such as copper, cotton, tin.

### Wheat and Cotton

Wheat markets are steady and largely in the hands of the Farm Board. Our weighted cash price of Kansas City wheat has been fixed at 69¢ for seven out of the past eight weeks. Improvement in cotton cloth sales since December and particularly since the beginning of February has served as either cause, effect, or both of the rise of raw

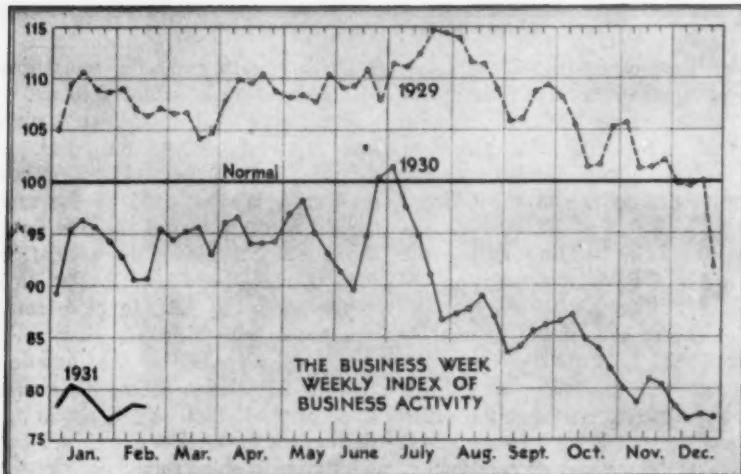
### The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

cotton prices which have gained over \$8.50 a bale since the middle of December. The carryover prospects of 9 million bales and meager hopes of acreage reduction still cloud cotton's future.

Steel prices are untested and inconclusive. Scrap has advanced at Pittsburgh, and declined at Detroit and St. Louis. Finished steel prices are under pressure, but concessions are said to be fewer. Increases in second quarter prices appear less certain. Copper prices have been steady at 10 $\frac{1}{2}$  delivered since the advance posted a week ago. Export business has been brisk enough to cause some smelters to urge another advance in price. Domestic sales have averaged only 1000 tons a day for the past two weeks. Lead, tin, and silver are firm, but zinc has dropped below the 4¢ level of last October's low.

Commercial loans declined by \$117 millions compared with the preceding week, according to the Feb. 18 report of member banks. This normal decline, which began after the fall peak in October, usually comes to end during February with the revival of spring trade activity. In 1930, however, the decline persisted until June. Our adjusted index for the week stands at 112% of normal against 113% the preceding week. The sharp and persistent decline in wholesale prices which is used to deflate this series causes the adjusted index to remain at a high level, but the small weight attached to this series and that of money in circulation minimizes the effect of these two above-normal indexes on the combined index of business activity.



# Money and the Market

THE irresistible uprush in stock prices continues to dominate developments in finance. The industrial group has been particularly strong, closely followed by the utilities. Railroad stocks are laggards. Profit-taking encountered on the upward move is being absorbed with but temporarily depressing effects. Sales volume is high and the market is at its broadest in several weeks.

Minute search for the meaning as well as the why of the movement which has surprised so many occupies the time of observers. Certain facts stand out: (1) The public is in the market and buying; (2) all except the most persistent and stubborn shorts have been driven to cover; (3) the upward move is a manifestation of and a reason for a very much better feeling about the business outlook.

## Improvement Seasonal

The higher prices that stocks are reaching are not justified, as yet, by business developments. Such signs of improvement as can be seen are seasonal, or less than seasonal. The rise is permitting banks to reduce their loans on securities, and speculation is being financed by the New York City banks entirely.

The all-important question is whether the stock market is acting as an advance indicator of business conditions as it has done in the past and as many economists hold it always does, or whether it is reflecting an unjustified feeling of confidence, with a collapse similar to the end of last year's abortive rise somewhere in the offing.

The answer lies in that unknown future upon which prognosticators, now as always, disagree. Cautious business men and investors generally cannot afford to lose sight of the definite possibility of either development. Mass sense has before belied the most careful statistical conclusions, and vice versa.

## Time Will Tell

A very few weeks will, beyond doubt, determine the truth. Last year the market realized its error in April. Indications point to an early determination of the facts this year, probably in late March. The progress of such basic industries as steel, building, and automobiles, together with the trend of commodity prices and earnings will irrevocably deny the justification of present stock prices, or just as irrevocably confirm them.

The bond market continues to furnish a clause of exception to the optimistic conclusions reached by the cheerful. Prices rose, but only very slightly this week, the gain being due to second-grade rails, industrial and utility senior issues. The sales volume was a little heavier this week than last.

New financing in this short holiday week was very much below last week at about \$20 millions. One railroad, one foreign (Canadian), and one utility issue were offered, together with a continuing number of smaller municipal issues. Reports persist that considerable numbers of new issues are in the offing, but the unsatisfactory state of this market, despite numerous rea-

sions for strength previously cited here, postpone their appearance.

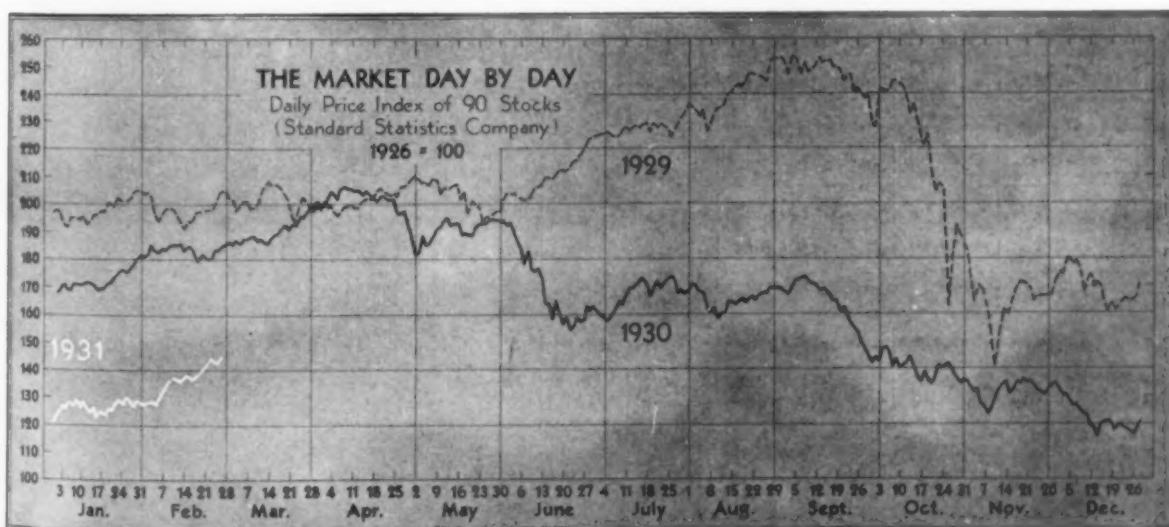
The market this week is awaiting with keen interest Mr. Mellon's announcement of the March quarterly Treasury financing to be made public next Monday. In the face of this, governments were irregular. The large New York City issue of \$100 millions soon to be floated is another development attracting much attention.

Again this week, little change occurred in credit. Total loans and investments of member banks were almost unchanged. Bank loans on securities direct to customers continue the declining movement that has been in progress since the beginning of the year. Brokers' loans rose again, this time by \$26 millions, more than the whole being accounted for by New York City banks. Investments rose.

## Credit Factors

Factors influencing the supply of credit were little changed. Total Federal Reserve credit outstanding was \$904 millions, down \$1 million from last week. Monetary gold stock rose \$2 millions, partly as a result of small gold imports from Latin America. Money in circulation on Wednesday was \$9 millions higher than a week earlier.

Significant developments are occurring in foreign financial circles as indicated in our Swift Survey of Business Abroad. The French appear to be cooperating wholeheartedly to bar further gold imports, have lowered some rates, may cut the Bank of France discount rate. The Bank of England may raise its discount rate, due to money market conditions. Germany continues to gain gold, largely from Russia.



# New England Business Picks Up Under Steady Flow of Orders

A STEADY pickup in business activity since the turn of the year has made New England business men optimistic of the immediate future. Payrolls jumped \$37,000 during the last 2 weeks of January; have made substantial gains since then.

Crompton & Knowles Loom Works of Worcester has been operating on an increasing schedule since last October. A new type of loom has greatly accelerated its business. Chief activity now is the installation of new looms in the Botany Worsted Mills of Passaic, N. J., where 1610 old-style looms are being scrapped.

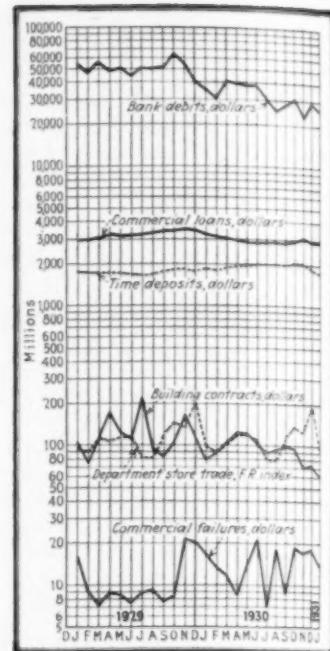
The Kerr Mills of American Thread Co., Fall River, recently rehired 800 employees for part-time operations. Wickwire Spencer Co. has resumed operations on a 3-shift basis at its Palmer, Mass., plant. Cheney Bigelow Wire Works, at Springfield, recently received the largest order for brass and bronze

products in its history; has enough orders on hand to keep some departments going for several months.

Bausch Machine Tool Co., also of Springfield, is busier in its machine tool division than in many months past; its flow of incoming orders indicates general confidence in the future. Rolls-Royce Co. has been taking on men.

Package Machinery Co., Springfield, reports 1930 one of the best years in its history. An extra dividend of \$1 in addition to the regular \$1.50 dividend was recently voted. Orders and inquiries received during the past 6 weeks forecast a good year in 1931.

The volume of raw materials received by Worcester manufacturing plants has been increasing rapidly during the last 2 months, according to freight officials. Incoming tonnage is out of proportion to shipments of manufacturer goods. This same condition marked the beginning of the end of the 1921 depression.



## NEW YORK BUSINESS

The graph shows both equal rates of change and absolute amounts. It is the second of a series showing business trends by districts

## Survey of January Business by Federal Reserve Districts

(Percentage changes from preceding month with no adjustment for seasonal or secular trend, but allowing for differing number of business days, excepting in department store trade by districts)

Federal Reserve Districts	General Business	Commercial Loans	Time Deposits	Check Payments	Department Store Sales	Building Contracts	Commercial Failures	Savings Deposits	Life Insurance Sales	Prime Commercial Loan Rates
BOSTON	Slower	+1.4	-1.1	-11.2	42	Home -25.6 Total -33.7	Number +8.6 Value +42.4		-19	Easier; $3\frac{1}{2}$ - 4%
NEW YORK	Less active	-1.1	-4.7	-15.1	-52.5	Home -29.5 Total -18	Number +40.6 Value -25.6	+1.8	-12.4	Unchanged; $3\frac{1}{2}$ - 4%
PHILADELPHIA	Duller	-2	-2.4	-12.7	-54.3	Home -35.7 Total -42	Number +49.2 Value -9.3		Decrease	Unchanged; $3\frac{1}{4}$ - 4%
CLEVELAND	Little change	-2	-1.2	-1.8	-51.3	Home +0.2 Total +9.1	Number +22.5 Value +166.3	+0.5	-20.8	Little change; $3\frac{1}{2}$ - 3%
RICHMOND	Slower	-1.4	-0.5	-10.2	-58	Home -43.4 Total -23.5	Number +47.2 Value +38.6		-28.1	Firmer; $4\frac{1}{2}$ - 5%
ATLANTA	About same	-6.9	-3.6	+4.6	-54	Home +6.3 Total +79.6	Number +44.6 Value -78.9		-27.4	Little change; 5%
CHICAGO	Less active	-2.8	-1.3	-7.3	-49.2	Home +10.9 Total -9.7	Number +25.8 Value +79		-21	Easier; $3\frac{1}{4}$ - 4%
ST. LOUIS	Little change	-3.5	+2.9	+7.7	-52	Home +25.8 Total -17.4	Number +86 Value -54		Decrease	No change; $4\frac{1}{2}$ - 5%
MINNEAPOLIS	Slower	-4	-1	-15.7	-44.1	Home -6 Total -67.9	Number +45.8 Value +41.2		-27	Down $\frac{1}{2}$ ; $3\frac{1}{2}$ - 4%
KANSAS CITY	Not much change	-3.8	+0.1	-7.2	-52.7	Home -49.6 Total +37.7	Number +25.4 Value -2.7	-3.5	-28.8	No change; $4\frac{1}{2}$ - 5%
DALLAS	About same	-4.1	+0.4	-6	-47	Home -9.5 Total +93.2	Number +44.1 Value +1.6		-46.9	Easier; 4 - 6%
SAN FRANCISCO	Slower	-0.6	-1.3	-0.6	-48.8	Total +64	Number -5.5 Value -5.2		-28.3	Firmer; $4\frac{1}{4}$ - 5%
UNITED STATES	A little slower	-1.9	-2	-11.9	-50.4	Home -23.3 Total -8.6	Number +31.3 Value +13		-20.8	Slightly easier

The *Business Week* summary from original material: Federal Reserve system statistics for department store sales, check payments, money rates, and reporting banks; cooperation of 10 Federal Reserve banks for districts noted for savings deposits and other indicators; building figures from F. W. Dodge, commercial failures from Dun's, and insurance data from Life Insurance Sales Research Bureau



## **City Bank Farmers**

### **Trust Company**

CHARTERED 1822

**Announces its return to 22 William St., where it was located from 1866 to 1929. You are cordially invited to visit its offices in this newly completed building which were opened for business Tuesday, February 24th, 1931.**

# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

March 4, 1931

## Invitation to Think

THE arrangements under which the 125 million people in this section of the world have been making their living seem to us pretty good. We were born under them, are used to them, we like them, and are prejudiced in their favor.

But we are aware that these arrangements which seem so natural and permanent to us are relatively new; that there have been and are many other possible arrangements; and that since the war the people in a large part of the rest of the world have begun to make their living under arrangements that are more or less different.

It is therefore not astonishing that, under the stress of the events of the past two years, the virtues and finality of the economic system by which we live should have suddenly appeared debatable to a great many people here and abroad. It has gone farther off the track of steady progress than on any of the many previous occasions of which we have record in its short history; and it has thereby done more damage to more people in a larger part of the world than ever before, because more of them than ever have been more dependent for their security and welfare upon its smooth operation and its ability to stay on the track.

Whether or not this has been the "worst" of the recurrent depressions in the career of the modern industrial system, it certainly has more serious implications than any before because it has made more people with political power in their hands ask themselves more insistent and searching questions about it.

We are sure that the responsible management of our business and financial system can find an answer to these questions and resolve these doubts. Such depressions as this are avoidable and not symptoms of a fatal weakness in our business system. But it will not be possible or desirable any longer to pretend that these questions are not real or to imagine that their an-

swers can be found without effort and sacrifice on anybody's part. It will be only by resolute energy, complete candor, and willing sacrifice that the weaknesses in that system can be remedied, its potential values realized, and its preservation justified and assured.

The "Platform for American Business" printed as a supplement to this issue is a testimonial of our faith, and that of the publishers, in the willingness and ability of business management and financial authority to meet the test in the future. It offers certain fundamental principles of policy and concrete suggestions of practice which we and the many eminent men in American economic life to whom it has been submitted feel are essential bases of the reconstruction and maintenance of prosperity and security under our business system.

To some whose questionings have gone deep these suggestions may appear general, obvious, idealistic, ineffectual. Many vital issues will seem to be evaded. It must be remembered that the task of defending and strengthening our business system today is a thankless one. Too many of our business and financial leaders still see nothing to question in it, even after this depression; and too many other people see nothing in it worth questioning, precisely because of this depression. Both still believe that its weaknesses can be overcome without any sacrifices on their part; and in this both are wrong.

It will take a long time to bring all minds closely enough together so that all will see with a single eye the particular issues that make up the general problem. A beginning must be made on common ground, and this Platform will afford room for all to stand on.

In offering it we are merely ringing the bell to call the wits together, knowing that all of them will be needed to meet the problem.

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